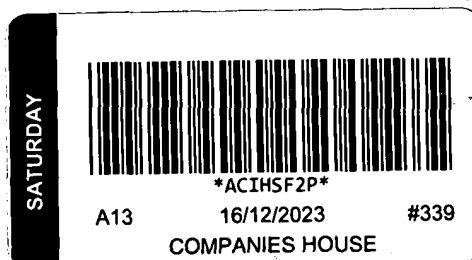


Lagonda Palace PropCo Limited

Annual Report and Audited Financial Statements

Registered number 04216858

For the year ended 31 December 2022



Lagonda Palace PropCo Limited
Annual Report and Financial Statements
For the year ended 31 December 2022

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Company Information

Directors	P Bour S Gautier
Registered address	Gorse Stacks House George Street Chester United Kingdom CH1 3EQ
Banker	BNP Paribas, London Branch 10 Harewood Avenue London NW1 6AA
Auditors	Mazars LLP 30 Old Bailey London United Kingdom EC4M 7AU

Strategic Report

The directors present their strategic report of Lagonda Palace PropCo Limited ("the Company") for the year ended 31 December 2022, detailing the main factors impacting upon the business during the year and a review of progress.

Principal activity of the Company

The principal activity of the Company during the year was that of property investment.

Company business review

The Company's results are set out in the Profit and Loss Account and Other Comprehensive Income on page 9. The Company's Balance Sheet statement is set out on page 10.

During the year ended 31 December 2022, the Company's revenue increased from £1,657k to £4,133k and the operating loss decreased from £2,425k to operating profit of £165k.

The directors remain optimistic regarding the long-term prospects of the Company.

Financial risk management objectives and policies

Financial risk management objectives and policies are managed on a unified basis for the Covivio Hotels S.C.A. (the "Group").

The Company's activity expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk and price risk. The use of financial derivatives to manage risks is subject to board approval and no financial derivatives are used for speculative purposes.

Cash flow risk

The Company's activity expose it to the financial risks of changes in foreign currency exchange rates. These risks are small in the context of the Company's operations and therefore it does not use financial instruments to manage its exposure to them due to cost benefit considerations.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk other than receivable balances with members of the Group. The exposure on other receivable balances is spread over a large number of counterparties and customers.

Strategic Report (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

The Group uses a mixture of long term shareholder debt and equity in order to maintain liquidity and ensure that sufficient funds are available for ongoing compliance. On 31 December 2022 the Company did not have any bank debt.

Price risk

The Company is exposed to commodity price risk, particularly in relation to energy costs. The Company manages its exposure to energy costs price risks by using fixed rate contracts, where appropriate, to ensure certainty of costs.

Future developments

The directors continue to use the Company for property investment and do not anticipate any change to the Company's activity for the foreseeable future.

Going concern basis of accounts preparation

The financial statements have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Approved by the directors and signed on behalf of the Board:


P. Houn
Director

29 September 2023

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

Going concern and financial risk management objectives and policies

The following information is not shown in the directors' report because it is shown in the strategic report instead as per S414C(11) of the Companies Act 2006:

- the reasoning for the adoption of the going concern basis in preparing the annual report and financial statements for the Company;
- the financial risk management objectives and policies of the Company;
- future development; and
- principal activities.

Dividends

No dividends were paid during the financial year (2021: £nil). The directors have not proposed a final dividend in respect of the current financial year (2021: £nil).

Political contributions

There were no donations made to political parties (2021: £nil).

Directors

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

P Bour

E Tobelem (resigned 21 March 2022)

S Gautier (appointed 21 March 2022)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, Mazars LLP are deemed to be reappointed to act as the Company's auditor.

Approved by the directors and signed on behalf of the Board:

P Bour
Director

29 September 2023

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 these 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 101, 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;
- 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 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 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.

Independent Auditor's Report to the members of Lagonda Palace PropCo Limited

Opinion

We have audited the financial statements of Lagonda Palace PropCo Limited (the 'Company') for the year ended 31 December 2022 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies and critical accounting judgements and estimates.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Without qualifying our opinion we draw attention to the accounting policies on page 12 to the financial statements and the fact that the comparative information in the accounts was unaudited as the Company was entitled to exemption from audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the annual report and the financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the members of Lagonda Palace PropCo Limited (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, and for such internal control as the directors 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Company and its industry, we considered non-compliance with the following laws and regulations might have a material effect on the financial statements; UK tax legislation, employment regulation and health and safety regulation, and anti-money laundering regulation.

To help us identify instances of non-compliance with laws and regulations, and in identifying and assessing the risks of material misstatement in respect of non-compliance, our audit procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

Independent Auditor's Report to the members of Lagonda Palace PropCo Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition, provisions for liabilities and charges, depreciation, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

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



Richard Metcalfe (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

29 September 2023

Profit and Loss Account and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Turnover	3	4,133	1,657
Gross profit		4,133	1,657
Administrative expenses		(3,968)	(4,082)
Operating profit/(loss)		165	(2,425)
Interest payable and similar expenses	7	(1,378)	(1,369)
Interest receivable and similar income	8	35	-
Loss before taxation		(1,178)	(3,794)
Tax on loss for the year	9	(3)	(254)
Loss after tax and total comprehensive expense for the year		(1,181)	(4,048)

All transactions arise from continuing operations.

There is no Other Comprehensive Income and therefore no Statement of Comprehensive Income has been separately presented.

The notes on pages 12 to 26 form part of these financial statements.

Balance Sheet

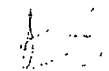
As at 31 December 2022

	<i>Notes</i>	2022 £'000	2021 £'000
Fixed assets			
Investment properties	10	27,715	31,460
		<u>27,715</u>	<u>31,460</u>
Current assets			
Debtors	11	5,729	4,121
Cash at bank and in hand		335	2
		<u>6,064</u>	<u>4,123</u>
Creditors: amounts falling due within one year	12	<u>(1,388)</u>	<u>(1,885)</u>
Net current assets		<u>4,676</u>	<u>2,238</u>
Total assets less current liabilities		<u>32,391</u>	<u>33,698</u>
Creditors: amounts falling due after more than one year	13	(35,083)	(34,915)
Provisions for liabilities			
Deferred tax liability	14	<u>(1,952)</u>	<u>(2,246)</u>
Net liabilities		<u>(4,644)</u>	<u>(3,463)</u>
Capital and reserves			
Called up share capital	16	13,900	13,900
Profit and Loss Account		<u>(18,544)</u>	<u>(17,363)</u>
Shareholders' deficit		<u>(4,644)</u>	<u>(3,463)</u>

The notes on pages 12 to 26 form part of these financial statements.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements of Lagonda Palace PropCo Limited, registered number 04216858, were approved by the directors on 2023 and signed on behalf of the Board:



P Bour
Director

29 September 2023

Statement of Changes in Equity

For the year ended 31 December 2022

	Called up share capital £'000	Profit and loss account £'000	Shareholders' deficit £'000
Balance at 1 January 2022	13,900	(17,363)	(3,463)
Loss for the year	-	(1,181)	(1,181)
Total comprehensive expense for the year	-	(1,181)	(1,181)
Balance at 31 December 2022	13,900	(18,544)	(4,644)

	Called up share capital £'000	Profit and loss account £'000	Shareholders' deficit £'000
Balance at 1 January 2021 (unaudited)	13,900	(13,315)	585
Loss for the year	-	(4,048)	(4,048)
Total comprehensive expense for the year	-	(4,048)	(4,048)
Balance at 31 December 2021	13,900	(17,363)	(3,463)

Notes to the Financial Statements

1 Accounting policies

Basis of accounting

Lagonda Palace PropCo Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the United Kingdom. The registered number is 04216858 and the registered address is C/O KPMG LLP, One St. Peters Square, Manchester, England, M2 3AE.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The presentation and functional currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Covivio Hotels S.C.A. includes the Company in its consolidated financial statements. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 30, Avenue Kleber, 75116 Paris, France.

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the Company:

- Amendments to IAS 37: Onerous Contracts-Cost of Fulfilling a Contract (effective 1 January 2022). This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Company included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Company has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.
- Amendments to References to the Conceptual Framework in IFRS 3 (effective 1 January 2022). The amendment refers to the Conceptual Framework issued in 2018 under which the definition of liabilities is broader than that in the previous versions. There is no material effect of this amendment as the Company has not made any new acquisitions during the year.
- Amendments to IAS 16: Property, Plant and Equipment-Proceeds before Intended Use (effective date 1 January 2022). The amendments prohibit a Company from deducting from the cost of an item of PPE any proceeds from selling items produced while making that item of PPE available for its intended use. There is no material effect of this amendment on the items of PPE recorded during the year.
- Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022):
 - (i) IFRS 9 - Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. There is no material effect on the adoption of the standard in these financial statements.
 - (ii) IFRS 16 - Leases - Lease incentives. The amendment to the Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. There is no material effect on the adoption of the standard in these financial statements.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Basis of accounting (continued)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the Company in future periods. A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Company's activities and which have not therefore been adopted in preparing these financial statements.

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

- Cash flow statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital, tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Covivio Hotels S.C.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law.

Going concern

Throughout the year ended 31 December 2022 and to the date of these financial statements, the Company was a member of the Covivio Hotels S.C.A. headed by Covivio. The directors have prepared the Company's financial statements on a going concern basis on the grounds that current and future sources of income, alongside a written letter of support from Covivio Hotels S.C.A., will be adequate to meet the Company's needs for a period at least 12 months from the date of approval of these financial statements.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account.

Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(b) Subsequent measurement and gains and losses

Financial assets at amortised cost - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables that do not contain a significant financing component are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Financial instruments (continued)

(iii) Impairment (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or, for both. Investment properties are stated at cost less accumulated depreciation.

Right-of-use assets that meet the definition of an investment property are presented as such. The measurement of these right-of-use assets is defined in accounting policy of Leases.

Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Turnover

Revenue is recognised when the significant risks and rewards of the goods or services provided have transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue is measured at the fair value of the consideration receivable from the sale of goods and services to third parties after deducting discounts and other promotional activities. Revenue includes duties which the Company pays as principal, but excludes amounts collected on behalf of other parties, such as value added tax.

All turnover arises in the United Kingdom and comprises rental income.

Expenses

Interest receivable and interest payable

Interest payable and similar expenses include interest payable that is recognised in profit or loss using the effective interest method and net foreign exchange losses that are recognised in the Profit and Loss Account (see foreign currency accounting policy).

Interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the Profit and Loss Account on the date the entity's right to receive payments is established.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in Equity or Other Comprehensive Income, in which case it is recognised directly in Equity or Other Comprehensive Income.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Leases

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

As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

The Company presents right-of-use assets that do not meet the definition of investment property in 'Tangible fixed assets' and lease liabilities in 'Creditors' in the Balance Sheet.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases.

The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Leases (continued)

As a lessor

At inception or on modification of a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

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

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

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

2 Significant accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of uncertainty at the Balance Sheet date, that have a potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

As discussed in note 1, the directors are required to consider whether any of the Company's assets are impaired. When conducting an impairment review, the directors use a discounted cash flow model which requires the directors to estimate the future cash inflows of the Company as well as suitable discount rates.

Notes to the Financial Statements (continued)

2 Significant accounting estimates and judgements (continued)

Classification of leases as a lessor

In determining whether leases are classified as operating leases or finance leases the directors make judgements as to whether (i) the lease term is for the major part of the economic life of the asset even if title is not transferred; and (ii) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Corporation tax and deferred tax

The calculation of the Company's tax charge necessarily involves a degree of estimation and judgement in respect of certain items. In calculating the Company's tax charge, there are inherent assumptions made around assets which qualify for capital allowances as well as the level of expenses which are disallowable for corporation tax purposes.

Further judgement is required in relation to any deferred tax assets which may arise as the recoverability of these assets is reliant on future taxable profits. Deferred tax liabilities are calculated based on the Company's expectations regarding the manner and timing of the recovery of the related assets.

3 Turnover

An analysis of the Company's turnover, all of which arose in the UK and relates to continuing operations and a single business segment, as follows:

	2022 £'000	2021 £'000
Total turnover	<u>4,133</u>	<u>1,657</u>

4 Expenses and auditor's remuneration

	2022 £'000	2021 £'000
<i>Included in loss are the following:</i>		
Legal fees	4	1
Depreciation - owned assets and assets held under leases	3,745	3,831
Audit of the financial statements	<u>4</u>	<u>5</u>

5 Staff costs

The Company had no employees during the year (2021: nil).

6 Directors' emoluments

The directors received no remuneration in respect of services to the Company during the year (2021: £nil).

Notes to the Financial Statements (continued)

7 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on leases liabilities	610	597
Interest payable to group undertakings	767	766
Other interest payable	1	6
	<u>1,378</u>	<u>1,369</u>

8 Interest receivable and similar income

	2022 £'000	2021 £'000
Other interest receivable	<u>35</u>	<u>-</u>

9 Taxation

The tax charge for the year comprises:

Recognised in the Profit and Loss Account:	2022 £'000	2021 £'000
<i>Current tax</i>		
UK corporation tax at 19% (2021: 19%)	229	-
Group relief payable	68	-
Total current tax charge	<u>297</u>	<u>-</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(288)	(375)
Adjustments in respect of prior periods	(6)	-
Effect of changes in tax rates	-	629
Total deferred tax (credit)/charge	<u>(294)</u>	<u>254</u>
Total tax charge for the year	<u>3</u>	<u>254</u>

Notes to the Financial Statements (continued)

9 Taxation (continued)

Reconciliation of effective tax rate:	2022 £'000	2021 £'000
Loss before taxation	(1,178)	(3,794)
Tax at standard UK rate of 19% (2021: 19%)	(224)	(721)
<i>Effects of:</i>		
Expense not deductible for tax purposes	212	222
Change in tax rates	(69)	540
Adjustments to the tax charge in respect of prior years	(6)	-
Impact of Corporate Interest Restriction	90	213
Total tax charge for the year	3	254

In the Finance Bill 2021, the 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 tax assets of £471k (2021: £1,123k) relating to interest disallowed under the Corporate Interest Restriction regime have not been recognised on the basis that these are not expected to reverse in the foreseeable future.

10 Investment properties

	Long leasehold investment properties £'000
<i>Cost</i>	
At 1 January 2022	45,730
At 31 December 2022	45,730
<i>Depreciation</i>	
At 1 January 2022	14,270
Charge for the year	3,745
At 31 December 2022	18,015
<i>Net book value</i>	
At 31 December 2022	27,715
At 31 December 2021	31,460

Investment properties are valued at cost less accumulated depreciation.

The fair value of the investment properties as at 31 December 2022 is £76,100,000 (2021: £77,000,000). It was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Notes to the Financial Statements (continued)

10 Investment properties (continued)

Right-of-use assets

At 31 December 2022, the fixed assets include right-of-use leased assets with a net book value of £7,585,546 (2021: £7,631,908). Additions to the right-of-use assets during 2022 were £nil (2021: £nil).

11 Debtors

	2022 £'000	2021 £'000
Trade debtors	1,787	1,164
Amounts owed by group undertakings	3,897	2,935
Other debtors	43	20
Prepayments and accrued income	2	2
	<u>5,729</u>	<u>4,121</u>

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

12 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	2	43
Amounts owed to group undertakings - group relief	465	460
Taxation and social security	366	-
Accruals and deferred income	365	1,203
Obligations under finance leases (note 15)	190	179
	<u>1,388</u>	<u>1,885</u>

Amounts owed to group undertakings are unsecured and repayable on demand.

13 Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Amounts owed to group undertakings - shareholders loan	25,409	25,409
Obligations under finance leases (note 15)	9,674	9,506
	<u>35,083</u>	<u>34,915</u>

Amounts owed to group undertakings - shareholders loan bears interest rate of 3.018% (2021: 3.018%) and its maturing date is 25 July 2026.

Notes to the Financial Statements (continued)

14 Deferred tax

Deferred tax is provided as follows:

	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
Liability at 31 December 2020 (unaudited)	2,248	(256)	1,992
Charged to the Profit and Loss Account	210	44	254
Liability at 31 December 2021	2,458	(212)	2,246
Credited to the Profit and Loss Account	(506)	212	(294)
Liability at 31 December 2022	1,952	-	1,952

Deferred tax assets and liabilities are offset where the Company has legally enforceable right to do so. Following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £'000	2021 £'000
Deferred tax liabilities	1,952	2,246

15 Leases

As a lessee

Right-of-use assets

Right-of-use assets relate to investment properties (see note 10).

Lease liabilities

	2022 £'000	2021 £'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	430	430
One to five years	1,764	1,719
More than five years	518,656	519,130
Total undiscounted lease liabilities at 31 December	520,850	521,279

Notes to the Financial Statements (continued)

15 Leases (continued)

As a lessee (continued)

Lease liabilities included in the Balance Sheet at 31 December

	2022 £'000	2021 £'000
Current	190	179
Non-current	9,674	9,506
	<u>9,864</u>	<u>9,685</u>

The Company has entered into a 175 year lease until December 2186 for its land and buildings. Contractual rent reviews occur every 5 years with increases based on the prevailing rate of inflation. Increases over and above the contractual minimum are recognised as contingent rents and are expensed as finance lease interest as they are incurred. The contingent rent recognised in the year ended 31 December 2022 was £35,354 (2021: £6,974).

As a lessor

Operating leases

The Company sub-leases the leasehold investment properties in note 10 which is classified as an operating lease. This is because there is no significant transfer of the risks and rewards of ownership to the lessee and the lease term is significantly less than the economic life of the head lease.

During the year £4,132,794 (2021: £1,658,316) was recognised as rental income and other operating by the Company and was included as turnover in the Profit and Loss Account.

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

Operating leases under IFRS 16

	2022 £'000	2021 £'000
Less than one year	1,773	1,800
One to two years	2,910	1,773
Two to three years	3,211	2,910
Three to four years	3,770	3,211
Four to five years	3,845	3,770
More than five years	73,109	76,954
Total undiscounted lease payments receivable	<u>88,618</u>	<u>90,418</u>

Notes to the Financial Statements (continued)

16 Capital and reserves

Called-up share capital

	2022 £'000	2021 £'000
<i>Allotted, issued and fully paid</i>		
13,900,001 ordinary shares of £1 each (2021: 13,900,001)	<u>13,900</u>	<u>13,900</u>

Called-up share capital

Represents the nominal value of shares issued.

Profit and loss account

This reserve records retained earnings and accumulated losses.

Capital contribution reserve

Capital contribution reserve is classed as realised profit and is capable of being distributed.

17 Related party transactions

The Company has taken advantage of the exemptions in FRS 101 not to disclose transactions with other Group companies.

18 Ultimate parent company and parent company of the larger group

The immediate parent entity of the Company is Lagonda Palace HoldCo Limited, an entity registered in England and Wales in the UK. The ultimate parent company and controlling party is Covivio, an entity incorporated in France.

The largest group in which the results of the Company are consolidated is that headed by Covivio. The smallest group in which the results of the Company are consolidated is that headed by Covivio Hotels S.C.A.. The consolidated financial statements of these groups are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ or from the registered office address 30, Avenue Kleber, 75116 Paris, France.

19 Commitments and Contingencies

There are no capital commitments and contingencies to report as on 31 December 2022.

20 Subsequent events

There have been no significant subsequent events to report since 31 December 2022 up to the date of approval of these financial statements.