

Lagonda York PropCo Limited

Annual Report and Financial Statements
Registered number 04216868
For the year ended 31 December 2020



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For the year ended 31 December 2020

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Company Information

Directors	G T Le Lay P Bour
Registered address	C/O KPMG LLP One St. Peters Square Manchester England M2 3AE
Banker	BNP Paribas, London Branch 10 Harewood Avenue London NW1 6AA

Strategic Report

The directors present their Strategic Report of Lagonda York PropCo Limited ("the Company") for the year ended 31 December 2020, detailing the main factors impacting upon the business during the period and a review of progress.

Principal activities 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 6. The Company's Balance Sheet statement is set out on page 7.

During the year ended 31 December 2020 the Company's revenue decreased from £2,471k to £1,484k.

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

On 11 March 2020, the World Health Organisation ("WHO") declared Covid-19 a pandemic and national governments have acted to implement a range of policies and actions to combat the virus and its economic impact to national markets and the global economy. The full extent of the Covid-19 economic impact is currently uncertain and the directors continue to closely monitor developments and their impact on the Company. Management are in close contact with all of the Company's service providers to ensure the continuity of the Company's ongoing operations, assess liquidity, tenant obligations and the basis for the values and estimates reported in the Financial Statements and accompanying notes.

The directors have assessed the Covid-19 impact on the investments of the Company and have concluded that there is no impairment of the investments in its subsidiary.

On 31 January 2020, the UK withdrew from the EU ("BREXIT") at the deadline set for its departure by the Article 50 extension agreed between UK and EU. Transition arrangements were in place after that for the period that ended on 31 December 2020, during which UK government and EU were negotiating the future terms of their relationship and reached an agreement. The directors have considered this at the date of signing these Financial Statements and its their view that there is no material impact or change to the business or the values reported in the statement of the financial position.

Financial risk management objectives and policies

Financial risk management objectives and policies are managed on a unified basis for the Group.

The Company's activities expose it to a number of financial risks including credit risk, cash flow 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 activities 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.

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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 2020 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.

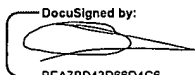
Future developments

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:

DocuSigned by:

PEA7BD43D68D4C6...
P Bour
Director

28th May 2021

C/O KPMG LLP
One St. Peters Square
Manchester
England
M2 3AE

Directors' Report

The directors present their Annual Report and the Financial Statements for the year ended 31 December 2020.

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

Dividends of £nil (2019: £nil) were paid during the financial year. The directors have not proposed a final dividend in respect of the current financial year (2019: £nil).

Political contributions

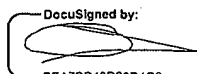
There were no donations made to political parties (2019: £nil).

Directors

The directors who held office during the year and subsequent to the Balance Sheet date were:

G T Le Lay
P Bour

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

DocuSigned by:

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P Bour
Director

28th May 2021

C/O KPMG LLP
One St. Peters Square
Manchester
England
M2 3AE

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.

Lagonda York PropCo Limited
Annual Report and Financial Statements
For the year ended 31 December 2020

Profit and Loss Account and Other Comprehensive Income

For the year ended 31 December 2020

	<i>Notes</i>	2020 £'000	2019 £'000
Turnover	3	1,484	2,471
Gross profit		1,484	2,471
Administrative expenses		(3,994)	(2,514)
Operating loss		(2,510)	(43)
Interest payable and similar expenses	7	(1,143)	(1,141)
Interest receivable and similar income	8	16	11
Loss before taxation		(3,637)	(1,173)
Tax on loss for the year	9	175	88
Loss after tax and total comprehensive expense for the year		(3,462)	(1,085)

All transaction 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 9 to 23 form part of these Financial Statements.

Lagonda York PropCo Limited
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For the year ended 31 December 2020

Balance Sheet

As at 31 December 2020

	<i>Notes</i>	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	10	28,204	30,491
		<u>28,204</u>	<u>30,491</u>
Current assets			
Debtors	11	2,444	2,131
Cash at bank and in hand		47	617
		<u>2,491</u>	<u>2,748</u>
Creditors: amounts falling due within one year	12	(2,273)	(1,066)
Net current assets		<u>218</u>	<u>1,682</u>
Total assets less current liabilities		<u>28,422</u>	<u>32,173</u>
Creditors: amounts falling due after more than one year	13	(32,901)	(32,900)
Provisions for liabilities			
Deferred tax liability	14	(1,332)	(1,622)
Net liabilities		<u>(5,811)</u>	<u>(2,349)</u>
Capital and reserves			
Called up share capital	16	1,850	1,850
Profit and Loss Account		(7,661)	(4,199)
Shareholders' deficit		<u>(5,811)</u>	<u>(2,349)</u>

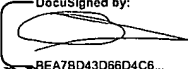
The notes on pages 9 to 23 form part of these Financial Statements.

For the period ended 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

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 York PropCo Limited, registered number 04216868, were approved by the directors on 28th May 2021 and signed on behalf of the Board:

DocuSigned by:

BEA78D43D66D4C6...
P Bour
Director

Lagonda York PropCo Limited
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Statement of Changes in Equity

For the year ended 31 December 2020

	Called up share capital £'000	Profit and loss account £'000	Shareholders' funds/(deficit) £'000
Balance at 1 January 2020	1,850	(4,199)	(2,349)
Loss for the year	-	(3,462)	(3,462)
Total comprehensive expense for the year	-	(3,462)	(3,462)
Balance at 31 December 2020	1,850	(7,661)	(5,811)

	Called up share capital £'000	Profit and loss account £'000	Shareholders' funds/(deficit) £'000
Balance at 1 January 2019	1,850	(3,123)	(1,273)
Loss for the year	-	(1,085)	(1,085)
Total comprehensive expense for the year	-	(1,085)	(1,085)
Transactions with owners recorded directly in equity			
Disposal of shares in subsidiaries	-	9	9
Balance at 31 December 2019	1,850	(4,199)	(2,349)

Notes to the Financial Statements

1 Accounting policies

Basis of accounting

Lagonda York PropCo Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the United Kingdom. The registered number is 04216868 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 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 international accounting standards in conformity with the requirements of the Companies Act 2006 ("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.

The Company's ultimate parent undertaking, Covivio (the "Group") includes the Company in its Consolidated Financial Statements. The Consolidated Financial Statements of Covivio 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.

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 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.

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Going concern

Throughout the year ended 31 December 2020 and to the date of these Financial Statements the Company was a member of the Covivio Hotels group of companies 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 funding or support from the Group 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.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies 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 retranslated 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 retranslated 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:

- 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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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 FVTPL - 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.

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.

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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

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 and contract assets 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.

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 and debt securities at FVOCI 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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Under IAS 17, the Company had leases which were classified as finance leases as the Company had assumed substantially all the risks and rewards of ownership of the leased asset. Where land and buildings were held under leases the accounting treatment of the land was considered separately from that of the buildings. Prior to 1 January 2019, these leased assets acquired by way of finance lease were stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. The accounting treatment for these leases subsequent to transition to IFRS 16, and for leases entered into after 1 January 2019 are described below in the lease accounting policy.

Depreciation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Leasehold buildings and improvements - the unexpired portion of the lease and/or useful life of the improvements

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

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.

Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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. Foreign currency gains and losses are reported on a net basis.

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 statement of financial position.

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.

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.

The Company operates from property held under leases. 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.

Notes to the Financial Statements (continued)

2 Significant accounting estimates and judgements (continued)

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, is as follows:

	2020 £'000	2019 £'000
Turnover	1,484	2,471

4 Expenses

Loss before taxation is stated after charging:

	2020 £'000	2019 £'000
<i>Included in loss are the following:</i>		
Allowances on receivables linked to tenants	1,499	-
Legal fees	4	-
Depreciation - owned assets and assets held under finance leases	2,286	2,281

5 Staff costs

The Company had no employees during the year (2019: nil).

6 Directors' emoluments

The directors received no remuneration in respect of services to the Company during the year (2019: £nil).

Notes to the Financial Statements (continued)

7 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on leases liabilities	520	520
Interest payable to group undertakings	623	621
	<u>1,143</u>	<u>1,141</u>

8 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable from group undertakings	1	11
Other interest receivable	15	-
	<u>16</u>	<u>11</u>

9 Taxation

The tax credit for the year comprises:

Recognised in the Profit and Loss Account:	2020 £'000	2019 £'000
<i>Current tax</i>		
UK corporation tax on loss for the year	-	62
Adjustment in respect of previous years	115	(3)
Total current tax charge	<u>115</u>	<u>59</u>
<i>Deferred tax</i>		
Total deferred tax credit	(290)	(147)
Total tax credit for the year	<u>(175)</u>	<u>(88)</u>

Notes to the Financial Statements (continued)

9 Taxation (continued)

Reconciliation of effective tax rate:	2020 £'000	2019 £'000
Loss before taxation	(3,637)	(1,173)
Tax at standard UK rate of 19% (2019: 19%)	(691)	(223)
<i>Effects of:</i>		
Expense not deductible for tax purposes	125	87
Change in tax rates	191	21
Adjustments to the tax charge in respect of prior years	30	25
Other adjustments to the tax charge	-	2
Impact of Corporate Interest Restriction	170	-
Total tax credit for the year	(175)	(88)

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate has remained at 19%. This revised rate has been used in the calculation of the Company's deferred tax asset and liability as at 31 December 2020.

In the Budget of 3 March 2021 the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. As of 31 December 2020, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the company's deferred tax assets and liabilities as at 31 December 2020. This measure would increase the deferred tax liability by approximately £421k and the unrecognised deferred tax asset by approximately £74k.

Deferred tax asset of £235k relating to interest disallowed under the Corporate Interest Restriction regime has not been recognised on the basis that these are not expected to reverse in the foreseeable future.

10 Tangible fixed assets

	Long leasehold properties £'000
<i>Cost</i>	
At 1 January 2020	34,748
At 31 December 2020	34,748
<i>Depreciation</i>	
At 1 January 2020	4,258
Charge for the year	2,286
At 31 December 2020	6,544
<i>Net book value</i>	
At 31 December 2020	28,204
At 31 December 2019	30,491

Notes to the Financial Statements (continued)

10 Tangible fixed assets (continued)

Right-of-use assets

At 31 December 2020, the fixed assets include right-of-use leased assets with a net book value of £11,797,697 (2019: £11,868,977). Additions to the right-of-use assets during 2020 were £nil (2019: £nil).

11 Debtors

	2020 £'000	2019 £'000
Trade debtors	784	174
Amounts owed by group undertakings	1,546	1,915
Other debtors	100	29
Prepayments and accrued income	14	13
	<u>2,444</u>	<u>2,131</u>

Amounts owed by group undertakings are unsecured and repayable on demand, and bear interest at 3.018% (2019: 3.018%).

12 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	1,343	286
Amounts owed to group undertakings - group relief	178	127
Accruals and deferred income	751	652
Obligations under finance leases (note 15)	1	1
	<u>2,273</u>	<u>1,066</u>

Amounts owed to group undertakings are unsecured and repayable on demand, and bear interest at 3.018% (2019: 3.018%).

13 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings - shareholders loan	20,585	20,584
Obligations under finance leases (note 15)	12,316	12,316
	<u>32,901</u>	<u>32,900</u>

Amounts owed to group undertakings are unsecured and repayable on demand, and bear interest at 3.018% (2019: 3.018%).

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 2018	1,769	-	1,769
Credited to the Profit and Loss Account	(147)	-	(147)
Liability at 31 December 2019	1,622	-	1,622
Credited to the Profit and Loss Account	(118)	(172)	(290)
Liability at 31 December 2020	1,504	(172)	1,332

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

	2020 £'000	2019 £'000
Deferred tax liability	1,332	1,622
	1,332	1,622

As the proposal to increase the rate at 25% had not been substantively enacted at the Balance Sheet date, its effects are not included in these Financial Statements.

15 Leases

As a lessee

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as Tangible fixed assets (see note 10).

Lease liabilities

	2020 £'000	2019 £'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	520	520
One to five years	2,080	2,080
More than five years	83,720	84,110
Total undiscounted lease liabilities at 31 December	86,320	86,710

Notes to the Financial Statements (continued)

15 Leases (continued)

As a lessee (continued)

Lease liabilities included in the Balance Sheet at 31 December

	2020 £'000	2019 £'000
Current	1	1
Non-current	12,316	12,316
	<u>12,317</u>	<u>12,317</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 2020 was £58,868 (2019: £58,881).

As a lessor

Operating leases

The Company sub-leases the leasehold building in the Tangible fixed assets 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 £1,484,074 (2019: £2,470,793) was recognised as rental income 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	2020 £'000	2019 £'000
Less than one year	1,975	1,975
One to two years	2,014	1,975
Two to three years	2,055	2,014
Three to four years	2,096	2,055
Four to five years	2,138	2,096
More than five years	47,182	48,829
Total undiscounted lease payments receivable	<u>57,460</u>	<u>58,944</u>

Notes to the Financial Statements (continued)

16 Called up share capital

	2020	2019
	£'000	£'000
<i>Allotted, issued and fully paid</i>		
1,850,001 ordinary shares of £1 each (2019: 1,850,001)	<u>1,850</u>	<u>1,850</u>

Called-up share capital

Represents the nominal value of shares issued.

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 York HoldCo Limited, an entity incorporated in United Kingdom. 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. 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 Subsequent events

There are no subsequent events post the Balance Sheet date.