

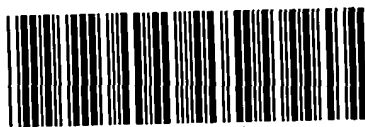
**Malmaison and Hotel du Vin Property
Holdings Limited**

**Annual report and financial
statements**

Registered number 05990905

30 September 2022

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Strategic report

The directors present the strategic report and financial statements for the year ended 30 September 2022.

Review of the business

The principal activity of the Company continues to be that of property investment.

The Company is a subsidiary of Fraser Hospitality UK Holdings Limited (the 'Group').

As the general pandemic-related restrictions lifted in the UK, demand for our hotels increased significantly from March 2022 with a returning appetite for both business and leisure travel. Despite numerous challenges, as we brought our hotels back to our high operating standards, we registered significantly improved occupancy levels compared to the previous financial year.

Top-line revenues for the year ended 30 September 2022 showed significant improvement against previous financial year reflecting how our hotels, with their strong brand and strategic locations, were especially popular among both domestic and international travellers. While it would appear the worst is over, with COVID-19 transitioning to an endemic phase, the Directors remain focused on the safety and well-being of customers, employees and communities at all hotels.

Looking forward, the senior management team continue to monitor the macroeconomic uncertainties, ensuring the organisational discipline, agility and resilience built since the onset of the pandemic.

Cost-efficient management will continue to guide our operations. To mitigate the industry-wide labour supply challenges, we are prioritising talent acquisition and staff retention paired with progressively embedding new technology to meet evolving consumer needs and mitigate potential service gaps. Consequently, the senior management team remain optimistic about the Group's future prospects and ability to thrive and deliver growth.

Risk management

The Board and Senior Executive team of the wider Group identify and evaluate risks and uncertainties in the period covered by its Business Plan and design controls to mitigate these. Responsibility for management of each key risk is identified and delegated to specific executives within the business. As a company operating in the hospitality industry, areas of risk specific to the Company include those involving Market Risk, Health & Safety Risk and Financial Risk. A review of the impact on the Group and therefore the Company and the measures in place to mitigate those risks are detailed below:

Market Risk - Loss of market share through competitor activity

Mitigation controls are in place to outperform the competition and are developed both at a strategic brand level and at a tactical local level. Market information is available to establish position and to enable actions through pricing decisions and sales activities to maintain market position.

Health & Safety Risk - Serious injury as a result of Company negligence

The Group engages a third party health and safety audit company which is independent of the group to carry out regular health and safety site audits to ensure adherence with all current policies and procedures.

Financial Risk - Impact of economic factors that affect our customers or our costs

Mitigation controls to financial risks because of the broader general economic factors and their impact are managed through our ability to be flexible with our customer base and react swiftly to change in our cost base.

Position at year-end

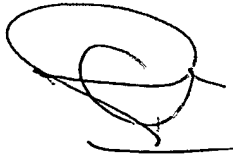
The Directors consider the Company's financial position at the year end to be satisfactory given the current economic conditions.

Strategic report *(continued)*

Key performance indicators

Key performance indicators ("KPI's") are set by the Board at both Group and Company level. They are set across both financial and non-financial areas of the business to assist in giving a balanced outcome. At Company level the indicators will include targets for sales and profit growth along with the maintenance and improvement of Brand Standards. There are no relevant KPI's set for this entity at company level. Its performance is measured as part of the Group as a whole.

On behalf of the board



G Bakker
Director

Dated: 5 June 2023

Directors' report

The directors present their report and financial statements for the year ended 30 September 2022.

Principal activities

The principal activities of the Company is that of property investment.

Results and dividends

The results for the period are set out on page 8 and are in line with the Directors' expectation.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements was as follows:

G Bakker
BK Chan

Going Concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the reasons set out in note 1.2.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

Statement of disclosure to auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board



.....
G Bakker
Director

Dated: 5 June 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MALMAISON AND HOTEL DU VIN PROPERTY HOLDINGS LIMITED

Opinion

We have audited the financial statements of Malmaison and Hotel Du Vin Property Holdings Limited ("the Company") for the year ended 30 September 2022 which comprise the Profit and loss account, Balance sheet and Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud,
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MALMAISON AND HOTEL DU VIN PROPERTY HOLDINGS LIMITED (continued)

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of investment property. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives, rationalizations and opportunities to fraudulently adjust revenue recognition.

We did not indemnify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual pairings with a credit or debit to an investment property account and unusual pairings with a credit or debit entry to cash or cash equivalents accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery and regulatory capital and liquidity. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MALMAISON AND HOTEL DU VIN PROPERTY HOLDINGS LIMITED *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Sarah Tannock-Kitchen (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Dated: 5 June 2023

Profit and loss account
for the year ended 30 September 2022

	<i>Note</i>	2022 £000	2021 £000
Turnover	3	18,227	16,278
Administrative expenses		(5,047)	(5,462)
Operating profit	4	13,180	10,816
Impairments	9	-	-
Interest payable and similar expenses	6	(4,177)	(3,264)
Profit before taxation		9,003	7,552
Tax on profit	7	(1,109)	(41)
Profit for the financial year		7,894	7,511

All activity derives from continuing operations.

The Company has no recognised gains and losses other than those above and therefore no separate statement of other comprehensive income has been presented.

The notes form an integral part of the financial statements.

Balance sheet
as at 30 September 2022

	Note	2022 £000	2021 £000
Fixed assets			
Investment property	8	193,752	197,598
Investments	9	20,655	20,655
		<u>214,407</u>	<u>218,253</u>
Current assets			
Trade and other receivables	11	350,537	335,305
Cash at bank and in hand		704	269
		<u>351,241</u>	<u>335,574</u>
Creditors: amounts falling due within one year			
Trade and other payables	12	(459,133)	(455,206)
		<u>(459,133)</u>	<u>(455,206)</u>
Net current liabilities		<u>(107,892)</u>	<u>(119,632)</u>
Total assets less current liabilities		<u>106,515</u>	<u>98,621</u>
Net assets		<u>106,515</u>	<u>98,621</u>
Capital and reserves			
Called up share capital	13	10	10
Share premium account		76,067	76,067
Profit and loss account		30,438	22,544
Total equity		<u>106,515</u>	<u>98,621</u>

The notes form an integral part of the financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 5 June 2023.

Signed on its behalf by:


G Bakker
Director

Company Registration No. 05990905

Statement of changes in equity

	Share capital £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1 October 2020	10	76,067	15,033	91,110
Profit and total comprehensive income for the period	-	-	7,511	7,511
Balance at 30 September 2021	10	76,067	22,544	98,621

	Share capital £000	Share premium account £000	Retained Earnings £000	Total £000
Balance at 1 October 2021	10	76,067	22,544	98,621
Profit and total comprehensive income for the period	-	-	7,894	7,894
Balance at 30 September 2022	10	76,067	30,438	106,515

The notes form an integral part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Company information

Malmaison and Hotel du Vin Property Holdings Limited is a company limited by shares incorporated in England and Wales. The registered number is 05990905 and the registered office is 3rd Floor, 95 Cromwell Road, London, SW7 4DL.

1.1 Accounting convention

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

The financial statements have been prepared on the historical cost basis.

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 parent undertaking, Frasers Hospitality UK Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Frasers Hospitality UK Holdings are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 3rd Floor, 95 Cromwell Road, London, SW7 4DL.

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;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, the correction of error, or the reclassification of items in the financial statements;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company; and
- Disclosures required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Frasers Hospitality UK Holdings Limited, which indirectly owns 100% of the issued share capital of the Company. The group accounts of Frasers Hospitality UK Holdings Limited are available to the public and can be obtained from 3rd Floor, 95 Cromwell Road, London, SW7 4DL.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons.

Notwithstanding net current liabilities of £107,077,000 as at 30 September 2022 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the Company for a period of at least 12 months from the date of approval of these financial statements ("the going concern assessment period"). The directors have given careful consideration to the current economic environment due to Covid-19 and general cost inflation.

In forming their view the directors have taken into consideration that Frasers Property Limited, the penultimate parent company, has provided a letter of support to the directors of the Company to confirm that it intends, should the need arise, to provide financial and/or other support to the Company, including, if required, not seeking repayment of amounts currently made available (Note 12 - £457,125,000 at 30 September 2022), for the year.

Having performed this assessment, the directors are confident that the Company will have sufficient funds to continue in operational existence by meeting its liabilities as they fall due for payment for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. As with any entity placing reliance on other group entities for financial support, the Board acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. As a result, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. The rental income is recognised as turnover.

1.4 Investment properties

Investment property, which is property held to earn rentals is held at cost less depreciation and any recognised impairment losses.

Depreciation is provided at rates calculate to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Property	- straight 50 years
Fixtures, fittings and equipment	- straight line 3 -10 years

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.6 Impairment of tangible and intangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

1.7 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.8 Cash and cash equivalents

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

1.9 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 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; FVOCI – debt investment; FVOCI – equity investment; or 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.

Notes (continued)

1 Accounting policies (continued)

1.9 Financial instruments (continued)

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.

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. This includes all derivative financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(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 are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to 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.

Notes (continued)

1 Accounting policies (continued)

1.9 Financial instruments (continued)

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.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iii) 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 (continued)

1 Accounting policies (continued)

1.10 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.11 Equity instruments

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

1.12 Leases

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 and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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 that of property, plant 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.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes (continued)

1 Accounting policies (continued)

1.12 Leases (Continued)

As a lessor

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. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount 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 estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Impairment of tangible fixed assets and investment property

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

3 Turnover

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

4 Operating profit

	2022 £000	2021 £000
Operating profit for the period is stated after expensing:		
Audit of financial statements of the company	6	6
Audit related assurance services	-	1
Tax compliance services	6	5
Depreciation of investment property (note 8)	3,846	4,211
	<u>3,858</u>	<u>4,223</u>

5 Director's remuneration

None of the directors received any emoluments in respect of their services as directors of the Company during the year ended 30 September 2022 (2021: £nil). The remuneration of the directors is paid by other entities outside of this Group. The directors act in a group capacity only and do not allocate specific time to any Company. The value of any time spent on services provided to the Company is considered negligible.

Notes (continued)

6 Interest payable and similar expenses

	2022 £000	2021 £000
<i>Interest on financial liabilities measured at amortised cost:</i>		
Interest payable to group undertakings	4,177	3,264
	<u>4,177</u>	<u>3,264</u>

7 Taxation

Recognised in the income statement

	2022 £000	2021 £000
<i>Current tax expense</i>		
Current year	1,049	-
	<u>1,049</u>	<u>-</u>
Current tax expense	1,049	-
	<u>1,049</u>	<u>-</u>
<i>Deferred tax expense</i>		
Adjustments in respect of prior periods	3	(67)
Origination/reversal of timing differences in the period	57	108
	<u>60</u>	<u>41</u>
Deferred tax expense	60	41
	<u>60</u>	<u>41</u>
Total tax expense	1,109	41
	<u>1,109</u>	<u>41</u>

Reconciliation of effective tax rate

	2022 £000	2021 £000
Profit/(loss) for the year	7,894	7,511
Total tax expense	1,109	41
	<u>9,003</u>	<u>7,552</u>
Profit/(loss) excluding taxation	9,003	7,552
	<u>9,003</u>	<u>7,552</u>
Tax using the UK corporation tax rate of 19% (2021: 19%)	1,711	1,435
	<u>1,711</u>	<u>1,435</u>
Group relief	(1,569)	(3,018)
Non-deductible expenses	233	853
Adjustments in respect of prior periods	3	(67)
Adjust opening deferred tax to average tax rate	354	-
Adjust closing deferred tax to average tax rate	(332)	58
Fixed asset differences	709	780
Remeasurement of deferred tax for changes in tax rates	-	-
	<u>1,109</u>	<u>41</u>
Total tax expense	1,109	41
	<u>1,109</u>	<u>41</u>

Notes (continued)

7 Taxation (continued)

A change to the main UK corporation tax rate was announced in the UK Budget on 3 March 2021, and substantively enacted on 24 May 2021. The Budget announced an increase in the Corporation Tax main rate of 19% to 25% with effect from 1 April 2023.

Deferred tax balances are held at the future tax rate of 25% (2021: 25%). This change in rate will increase the company's future current tax charge accordingly.

8 Investment property

	£000
<i>Cost:</i>	
At 1 October 2021	226,006
Disposals in the period	-
	<hr/>
At 30 September 2022	226,006
	<hr/>
<i>Accumulated depreciation:</i>	
At 1 October 2021	28,408
Expense for the period	3,846
	<hr/>
At 30 September 2022	32,254
	<hr/>
<i>Net book value:</i>	
At 30 September 2022	193,752
	<hr/>
At 30 September 2021	197,598
	<hr/>

Management performed an impairment review and identified an impairment of £nil (2021: £nil) against Investment Properties.

Impairment exists when the carrying value of an asset exceeds the calculated recoverable amount. In order to determine the recoverable amount of each asset, Management used a discounted cash flow model (the "model") which contained certain key assumptions about the projected cash flow over the next 5 years to be generated from continuing use. The cash flow projections within the model is based on the FY22 5-year budget plan.

Cash flows beyond this initial 5 year period were estimated using terminal growth rates of 2% (2021: 2%) which are within management's expectation of the long-term average growth rates of the industry and cities in which the Group operates.

The projected post-tax cash flows were discounted at the rate of 8.23% (2021: 8.21%).

As is inherent in any such model, changes in the key assumptions would lead to different outcomes and, in this case, different impairment levels. Reasonably plausible changes to the discount rate and growth rate would not result in a material adjustment to the carrying amount of the assets.

Management remain confident that the base assumptions put forward in its model are reasonable and correspond to their best estimate of the future business performance at the time the model was built.

Notes (continued)

9 Investments

	Shares in group undertakings £000
<i>Cost:</i>	
At 30 September 2022 and 30 September 2021	37,055
<i>Provision for impairment:</i>	
At 30 September 2022 and 30 September 2021	(16,400)
<i>Net book value:</i>	
At 30 September 2022 and 30 September 2021	<u>20,655</u>

The directors have performed an impairment review in relation to the Group, and a provision of £nil (2021: £nil) has been recorded to impair the investment in subsidiaries.

10 Subsidiaries

The company has the following subsidiaries at 30 September 2022:

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
The Waterside Apartments (Princess Dock Management Company) Limited	United Kingdom	100.00%	100.00%	Dormant
Golden Tent Limited	Hong Kong	100.00%	100.00%	Holding Company
Malmaison and Hotel du Vin Limited	United Kingdom	100.00%	100.00%	Dormant
Malmaison and Hotel du Vin Property Limited	United Kingdom	75.00%	75.00%	Holding Company
Malmaison Limited	United Kingdom	100.00%	100.00%	Dormant
Malmaison (Oxford) Limited	United Kingdom	100.00%	100.00%	Holding Company
Malmaison Brand Limited	United Kingdom	100.00%	100.00%	Dormant
New Light Hotels Limited	United Kingdom	100.00%	100.00%	Trading Company
MWB Malmaison Brand Limited	United Kingdom	100.00%	100.00%	Dormant
Malmaison (Chart Square) Limited	United Kingdom	100.00%	100.00%	Holding Company
The Malmaison Hotel (Birmingham) Limited	United Kingdom	100.00%	100.00%	Holding Company
Hotel du Vin Limited	United Kingdom	100.00%	100.00%	Dormant
Jay Hotels Limited	United Kingdom	100.00%	100.00%	Dormant
The Malmaison Hotel (Manchester) Limited	United Kingdom	100.00%	100.00%	Holding Company
The Malmaison Hotel (Newcastle) Limited	United Kingdom	100.00%	100.00%	Holding Company

All investments in United Kingdom subsidiaries are registered at 3rd Floor, 95 Cromwell Road, London, SW7 4DL.

All investments in Hong Kong subsidiaries are registered at 3210 Jardine House, 1 Connaught Place, Central, Hong Kong.

Notes (continued)

11 Debtors

	2022 £000	2021 £000
Current		
Amount due from parent and fellow subsidiary undertakings	314,702	298,243
Prepayments	1,227	1,227
	<u>315,929</u>	<u>299,470</u>
Non-current		
Prepayments	34,608	35,835
	<u>350,537</u>	<u>335,305</u>

Amounts owed by parent and fellow subsidiary undertakings are repayable on demand and are non-interest bearing.

12 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Deferred tax liability	241	241
Corporation tax	1,109	-
Amount due to parent and fellow subsidiary undertakings	457,125	453,987
Other payables	658	978
	<u>459,133</u>	<u>455,206</u>

Amounts owed to parent and fellow subsidiary undertakings are repayable on demand. Interest is charged at rates between 0.21% and 4%.

13 Share capital

	2022 £	2021 £
Issued and fully paid:		
10,001 ordinary shares of £1 each	10,001	10,001
	<u>10,001</u>	<u>10,001</u>

14 Operating lease commitments

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2022 £000	2021 £000
Within one year	16,615	15,809
Between two and five years	66,460	63,236
In over five years	21,033	24,757
	<u>104,108</u>	<u>103,802</u>

Notes *(continued)*

15 Ultimate parent company and parent company of larger group

The ultimate parent company is TCC Assets Limited, a company incorporated in Thailand. The smallest group in which the Company is consolidated is that headed by Frasers Hospitality UK Holdings Limited, registered 3rd floor, 95 Cromwell Road, London SW7 4DL.