

QUEENSGATE GENERATOR HOLDING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

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QUEENSGATE GENERATOR HOLDING LIMITED

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For the year ended 31 December 2022

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QUEENSGATE GENERATOR HOLDING LIMITED

COMPANY INFORMATION

For the year ended 31 December 2022

DIRECTORS

Alastair Thomann
Jueane Thiessen
Herve Deligny (Appointed 1 March 2022)

REGISTERED OFFICE

Macnaughton House
Compton Place, London
United Kingdom
WC1H 9SD

REGISTERED NUMBER

06310592 (England and Wales)

INDEPENDENT AUDITOR

Mazars LLP
5th Floor Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

STRATEGIC REPORT

For the year ended 31 December 2022

REVIEW OF THE BUSINESS

The Company is a non-trading investment entity within the Queensgate Generator S.à.r.l Group with significant related party investments, loans and borrowings. The loss was primarily driven by finance costs in the year in excess of finance income.

The loss for the year attributable to shareholders was £1,205,095 (2021: £352,487) and is detailed on the Statement of Comprehensive Income. Total equity decreased by the corresponding amount.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in a highly competitive environment and is therefore exposed to actions from existing and new entrants to the market. This is overcome by a strong brand as well as key initiatives that differentiate the Group's offer. Such activity includes effective marketing campaigns, public relations actions, a robust social media presence and investment in the estate.

The Group's activities expose it to a variety of financial risks including foreign currency, interest rate, credit and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign currency risk

The Group operates mainly in Europe and USA and is exposed to the foreign exchange risk arising from Euro and USD exposure. Foreign exchange risk arises from the future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The wider Group uses derivative financial instruments to hedge certain risk exposures.

Interest rate risk

The Group is exposed to interest rate risk in relation to the variable rates on financial assets and liabilities. The Group considers the use of derivative contracts to maintain a mix of fixed and floating rate borrowings to mitigate this risk.

Credit risk

Credit risk is managed on the Group level, except for credit risk relating to accounts receivable balances. The Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

QUEENSGATE GENERATOR HOLDING LIMITED

STRATEGIC REPORT

For the year ended 31 December 2022

KEY PERFORMANCE INDICATORS

The business is an investment holding company and continues to fund the expansion of its subsidiary undertakings. The Directors consider pre-tax profit or loss as the key performance indicator. In 2022 this was a loss before tax of £1,204,461 (2021: £98,632).

By order of the Board



Herve Deligny
Director

Date Sep 28, 2023

QUEENSGATE GENERATOR HOLDING LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2022

The Directors submit their report and the financial statements of the Queensgate Generator Holding Limited (the "Company") for the year ended 31 December 2022.

RESULTS AND DIVIDENDS

The results for the year are set out on page 12. The Directors do not recommend a payment of a dividend for the year (2021: £nil).

FUTURE DEVELOPMENTS

Following the significant impact of COVID-19 across all sites in 2020 and 2021, the short-term focus of the Queensgate Generator S.p.A. Group (the Group) is restoring revenue and profitability to outperform pre-pandemic levels.

However, the Group is always reviewing potential development of existing assets. Other opportunities for growth are being considered as the Group looks to expand the Freehand brand into the European market.

PRINCIPAL RISKS AND UNCERTAINTIES INCLUDING FINANCIAL INSTRUMENTS

The Company is a non-trading investment entity, with significant related party investments, loans and borrowings. This activity exposes the Company to foreign currency risk, credit risk, liquidity risk and interest rate risk for long-term borrowings. Further details regarding financial risk factors can be found in Strategic Report.

GOING CONCERN

The Directors believe it is appropriate to prepare the financial statements on a going concern basis, which assumes that the Company will continue in operational existence for a period of at least 12 months from the date of the approval of these financial statements, subject to the material uncertainty as disclosed below:

The Group financing arrangements rely on bank loans that are going to mature in December 2023 and at the time of signing these accounts there is no legally binding obligation on the lenders to extend the maturity. However, the Directors are confident that the maturity will be extended due to the Company's long-term relationship with the bank and the current strong trading performance of the hotels in the Group. However, this creates a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. If the Company is unable to continue in operational existence for a period of at least 12 months from the date of the approval of these financial statements adjustments would have to be made to reduce the balance sheet values of the assets to their recoverable amounts.

DIRECTORS

The following Directors have held office since 1 January 2022:

Alastair Thomann

Jueane Thiessen

Herve Deligny (Appointed on 1 March 2022)

Andre Guettouche (Resigned 1 February 2022)

POST BALANCE SHEET EVENTS

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future year.

QUEENSGATE GENERATOR HOLDING LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2022

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

INDEPENDENT AUDITOR

Mazars LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the Board



Herve Deligny
Director

Date Sep 28, 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2022

The Directors are responsible for preparing the Strategic Report and 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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101).

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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR'S REPORT

For the year ended 31 December 2022

Independent auditor's report to the members of Queensgate Generator Holding Limited

Opinion

We have audited the financial statements of Queensgate Generator Holding Limited (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the financial statements:

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

Basis for opinion

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

Material uncertainty relating to going concern

We draw attention to note 1.10 in the financial statements, which indicates that a bank loan has an extension test in 2023 and that whilst constructive discussions are ongoing with the lenders, and the Directors are confident that the maturity will be extended on the test date, there is currently no legally binding obligation on the lenders to extend the maturity.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. As stated in note 1.10, the uncertainty around the bank loan maturity extension, along with the other matters as set forth in note

AUDITOR'S REPORT

For the year ended 31 December 2022

1.10, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

AUDITOR'S REPORT

For the year ended 31 December 2022

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: anti-money laundering regulation.

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

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

AUDITOR'S REPORT

For the year ended 31 December 2022

- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

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

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

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

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

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

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


Use of the audit report

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

QUEENSGATE GENERATOR HOLDING LIMITED

AUDITOR'S REPORT

For the year ended 31 December 2022


Stephen Mills (Sep 28, 2023 17:33 GMT+1)

Stephen Mills (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

5th Floor Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Date: Sep 28, 2023

QUEENSGATE GENERATOR HOLDING LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | Notes | Year to 31 December 2022 GBP | Year to 31 December 2021 GBP |
|---|-------|------------------------------------|------------------------------------|
| Administration expenses | 2 | (3,745) | - |
| Operating loss | | (3,745) | - |
| Finance costs | 3 | (9,931,260) | (7,481,081) |
| Finance income | 4 | 8,029,176 | 8,442,115 |
| Gain/(Loss) on revaluation of investments | 6 | 701,368 | (1,059,666) |
| Profit/(Loss) before tax | | (1,204,461) | (98,632) |
| Income tax | 5 | (634) | (253,855) |
| Profit/(Loss) for the year | | (1,205,095) | (352,487) |
| Other comprehensive income | | - | - |
| Total comprehensive income/(loss) attributable to the shareholders | | (1,205,095) | (352,487) |

The profit/(loss) for the year arises from the Company's continuing operations.

The accompanying notes form an integral part of these financial statements.

QUEENSGATE GENERATOR HOLDING LIMITED

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

| | Notes | 31 December 2022 GBP | 31 December 2021 GBP |
|--|-------|-------------------------|-------------------------|
| ASSET | | | |
| Non-current | | | |
| Investments and other financial assets | 6 | 11,868,059 | 110,567,478 |
| Current | | | |
| Investments and other financial assets | 6 | 166,825,597 | 42,145,210 |
| Other receivables | 7 | 88,578 | 89,323 |
| | | <u>166,914,175</u> | <u>42,234,533</u> |
| LIABILITIES | | | |
| Current | | | |
| Other payables | 8 | (1,007,292) | (1,003,660) |
| Interest bearing short-term loans | 9 | (181,207,111) | (51,955,697) |
| | | <u>(182,214,403)</u> | <u>(52,959,357)</u> |
| Non-current | | | |
| Interest bearing long-term loans | 9 | - | (102,998,663) |
| NET LIABILITIES | | <u>(3,432,169)</u> | <u>(3,156,009)</u> |
| EQUITY | | | |
| Share capital | 10 | 1,000 | 1,000 |
| Capital contribution | 11 | 5,052,251 | 4,123,316 |
| Retained earnings | | (8,485,420) | (7,280,325) |
| TOTAL EQUITY | | <u>(3,432,169)</u> | <u>(3,156,009)</u> |

The financial statements were approved and authorised for issue by the Board on Sep 28, 2023 and signed on its behalf by:



Herve Deligny
Director

Registered Company Number: 06310592

The accompanying notes form an integral part of these financial statements.

QUEENSGATE GENERATOR HOLDING LIMITED**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2022

| | Share capital | Capital Contributions | Retained earnings | Total equity |
|----------------------|---------------|-----------------------|-------------------|--------------|
| | GBP | GBP | GBP | GBP |
| At 31 December 2020 | 1,000 | - | (6,927,838) | (6,926,838) |
| Capital contribution | - | 4,123,316 | - | 4,123,316 |
| Loss for the year | - | - | (352,487) | (352,487) |
| At 31 December 2021 | 1,000 | 4,123,316 | (7,280,325) | (3,156,009) |
| Capital contribution | - | 928,935 | - | 928,935 |
| Loss for the year | - | - | (1,205,095) | (1,205,095) |
| At 31 December 2022 | 1,000 | 5,052,251 | (8,485,420) | (3,432,169) |

The accompanying notes form an integral part of these financial statements.

QUEENSGATE GENERATOR HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

GENERAL INFORMATION

Queensgate Generator Holding Ltd is a Private Limited Company, limited by shares, domiciled and incorporated in England (Company number 06310592). The Company's principal activity is to act as a holding investment company. The Company's registered office is Macnaughton House, Compton Place, London, WC1H 9SD.

1 ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the measurement of financial assets and financial liabilities at fair value through profit or loss, and in accordance with the Companies Act 2006.

In accordance with FRS 101, the Company has taken advantage of the exemptions from the following disclosure requirements;

- IAS 1 'Presentation of Financial Statements' – *Comparative reconciliations of the opening and closing number of shares and carrying amounts of property, plant and equipment, and intangible assets, objectives, policies and processes for managing capital.*
- IAS 7 'Statement of Cash Flows' – *Presentation of a Statement of Cash Flow and related notes.*
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – *IFRSs that will impact future periods.*
- IAS 24 'Related Party Disclosures' – *Compensation for key management personnel and group transactions*
- IAS 36 'Impairment of Assets' – *Key assumptions in the measurement of the recoverable amount of assets and reasonable changes in those assumptions that result in impairment, where recoverable amount is based on fair value less costs of disposal; the valuation technique(s) used, and if fair value is not measured using a quoted price for an identical unit; the level in the fair value hierarchy, any change in the valuation technique(s) and the reason for the change.*
- IFRS 7 'Financial Instruments: Disclosures' – *Carrying amounts, fair values, interest income/expense and net gains/ losses for each category of financial instrument, risks associated with financial instruments (including management of risks, maximum credit risk, credit quality of financial assets, analysis of financial assets past due or impaired, maturity analysis for financial liabilities, sensitivity analysis for market risks).*
- IFRS 13 'Fair Value Measurement' – *The fair value hierarchy, fair value measurements, (including valuation technique(s) and inputs), if the highest and best use of a non-financial asset differs from its current use, the reason for non-recurring fair value measurements, for Level 3 fair value measurements; unrealised fair value gains/losses in the period, the valuation process and sensitivity analysis.*

1.2 FINANCING COSTS

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method. Attributable transaction costs are recognised initially in the carrying value of non-derivative financial instruments, and subsequently amortised using the effective interest rate method.

QUEENSGATE GENERATOR HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1.3 FOREIGN CURRENCY TRANSLATION

The financial statements of the Company are presented in Pound Sterling (GBP), which is the functional currency of the primary economic environment in which the Company operates.

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing on the date of the transaction. At each reporting date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the statement of income for the year to which they relate;
- non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical cost applicable at the date of the transaction.

1.4 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.5 TAXATION

Income tax expense represents the sum of the deferred tax and current tax payable.

Current tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Where assets are not yet trading or where it is not certain that sufficient taxable profits will arise within two years deferred tax is not recognised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

QUEENSGATE GENERATOR HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1.6 FIXED ASSET INVESTMENTS

Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

1.7 FINANCIAL ASSETS

All recognised financial assets are initially measured at fair value and subsequently held at amortised cost, depending on the classification of the financial asset. Transaction costs that are directly attributable (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value as appropriate, on initial recognition.

Fair value through profit or loss

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost where they are:

- financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset gives rise to specified dates to cash flows that are solely payments of principal and interest.

Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus cumulative interest, adjusted for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, FVTOCI, lease receivables as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

The Company recognises lifetime ECL on all financial instruments where there has been a significant increase in credit risk since initial recognition. The assessment of whether lifetime ECL should be recognised is based on the likelihood or risk of default occurring since initial recognition.

Lifetime ECL represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. The 12-month ECL represent the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased, the following shall be taken into account:

- Actual or expected significant deterioration in the financial instrument's external or internal credit rating; or
- Significant deterioration in external market conditions; or
- Existing or forecast adverse changes in business, financial or economic conditions that will impact the debtor's ability to meet debt obligations; or
- Actual or expected deterioration in the operating results of the debtor; or
- Actual or expected significant adverse changes in the regulatory or technological environment of the debtor that will impact the debtor's ability to meet debt obligations.

Certain categories of financial asset, such as trade receivables, are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the generally average credit period of 30 to 90 days, as well as observable changes in the national or local economic conditions that correlate with default on receivables.

1.8 FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at fair value and subsequently held at amortised cost. Transaction costs that are directly attributable (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value as appropriate, on initial recognition.

1.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.10 GOING CONCERN

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the hotels within the Queensgate Generator S.à r.l Group (the Group) after the year end, as it has on all hotels worldwide. The Directors are taking comprehensive steps to ensure that the business is able to continue in operation for the foreseeable future.

The Company is part of a larger Group and senior facility agreements within the Group have been amended to acknowledge and work with the adverse impact of COVID-19 restrictions. The Group has secured additional funding from shareholders and external lenders during the period and so management is confident the Company will be able to continue to trade and meet its liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements.

QUEENSGATE GENERATOR HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Management has considered the situation of the Company with consideration to the larger Group and concluded that it is appropriate to prepare the financial statements using the going concern basis, subject to the material uncertainty as disclosed below:

The Group financing arrangements rely on bank loans that are going to mature in December 2023 and at the time of signing these accounts there is no legally binding obligation on the lenders to extend the maturity. However, the Directors are confident that the maturity will be extended due to the Company's long-term relationship with the bank and the current strong trading performance of the hotels in the Group. However, this creates a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. If the Company is unable to continue in operational existence for a period of at least 12 months from the date of the approval of these financial statements adjustments would have to be made to reduce the balance sheet values of the assets to their recoverable amounts.

2 ADMINISTRATION EXPENSES

| | Year to 31 December 2022 GBP | Year to 31 December 2021 GBP |
|----------------|------------------------------------|------------------------------------|
| Other expenses | 3,745 | - |
| | <u>3,745</u> | <u>-</u> |

3 FINANCE COSTS

| | Year to 31 December 2022 GBP | Year to 31 December 2021 GBP |
|--|------------------------------------|------------------------------------|
| Interest payable on related party borrowings | 8,015,007 | 7,481,081 |
| Foreign exchange loss on related party loan | 1,916,253 | - |
| | <u>9,931,260</u> | <u>7,481,081</u> |

The interest payable on related party borrowings was 2.8%-6% (2021: 2.8-6%).

4 FINANCE INCOME

| | Year to 31 December 2022 GBP | Year to 31 December 2021 GBP |
|---|------------------------------------|------------------------------------|
| Related party loans interest receivable | 8,029,176 | 7,002,645 |
| Foreign exchange gain on related party loan | - | 1,439,470 |
| | <u>8,029,176</u> | <u>8,442,115</u> |

The interest receivable on related party loans were 3-6% (2021: 3-6%).

QUEENSGATE GENERATOR HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

5 INCOME TAX

| | Year to 31 December 2022 GBP | Year to 31 December 2021 GBP |
|---|------------------------------------|------------------------------------|
| Current tax: | | |
| UK corporation tax | 634 | 468,518 |
| Adjustments in respect of prior period | - | (214,663) |
| Total current tax | 634 | 253,855 |
| Profit/(Loss) on ordinary activities before tax | (1,204,461) | (98,632) |
| Tax on loss on ordinary activities at standard corporation tax in UK of 19% (2021: 19%) | (228,848) | (18,740) |
| Effects of: | | |
| Adjustments in respect of prior period | - | (214,663) |
| Expenses not deductible/income not taxable | 363,011 | 304,182 |
| Transfer pricing adjustment | (269) | (18,260) |
| Adjustment for impairment on investment | (133,260) | 201,336 |
| | 634 | 253,855 |

6 INVESTMENTS AND OTHER FINANCIAL ASSETS

| | Shares in group undertakings GBP | Short term Investment Loans GBP | Total investments GBP |
|------------------------|--|---------------------------------------|--------------------------|
| At 1 January 2022 | 10,237,756 | 142,474,932 | 152,712,688 |
| Additions | 928,935 | 24,350,665 | 25,279,600 |
| Reversal of impairment | 701,368 | - | 701,368 |
| At 31 December 2022 | 11,868,059 | 166,825,597 | 178,693,656 |

During the year, investments in Generator Hostels Ltd has been revalued with a gain of £701,368 (2021: Loss of £1,059,666).

Investment loans are due within 12 months and to mature in July 2023. Investment loans are not secured and attracted interest at 3%-6% (2021: 3-6%).

The Company holds more than 20% of the equity of the following companies:

| Entity name | Country of incorporation | Controlling interest | Subsidiary | Nature of business |
|---|-----------------------------|-------------------------|------------|----------------------------|
| Queensgate Generator Properties Limited | UK | 100% | Direct | Investment holding company |
| Generator Hostels Ltd | UK | 100% | Direct | Management company |
| Generator Hostel London Ltd | UK | 100% | Indirect | Hostel operator |
| Generator Hostel Berlin GmbH | Germany | 100% | Indirect | Hostel operator |
| Generator Hostel Hamburg GmbH | Germany | 100% | Indirect | Hostel operator |

QUEENSGATE GENERATOR HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

| | | | | |
|---|---------|------|----------|--------------------|
| Generator Immobilienbesitz Hamburg GmbH | Germany | 100% | Indirect | Hostel operator |
| Generator Berlin Mitte GmbH | Germany | 100% | Indirect | Hostel operator |
| Generator Hostels Inc | USA | 100% | Indirect | Management company |
| Generator Hostels Sweden AB | Sweden | 100% | Indirect | Hostel operator |

The financial statements of the Company and its direct and indirect subsidiaries are consolidated in the financial statements of Queensgate Generator S.a.r.l the parent company for the entire group, and no consolidation is prepared at the Company's level. The consolidated financial statements of Queensgate Generator S.a r.l. are available at its registered office, 15 Boulevard F. W. Raiffeisen, L-2411, Luxembourg.

7 OTHER RECEIVABLES

| | 31 December 2022 GBP | 31 December 2021 GBP |
|------------------------------------|-------------------------|-------------------------|
| Due within one year: | | |
| Amounts owed by group undertakings | 88,578 | 88,578 |
| Other debtors | - | 745 |
| | <u>88,578</u> | <u>89,323</u> |

All balances are unsecured and interest free.

8 TRADE AND OTHER PAYABLES

| | 31 December 2022 GBP | 31 December 2021 GBP |
|----------------------------------|-------------------------|-------------------------|
| Amount due to group undertakings | 997,658 | 14,219 |
| Tax payable | 634 | 980,441 |
| Accruals | 9,000 | 9,000 |
| | <u>1,007,292</u> | <u>1,003,660</u> |

All balances are unsecured and interest free.

9 INTEREST BEARING LOANS

| | 31 December 2022 GBP | 31 December 2021 GBP |
|-----------------------------------|-------------------------|-------------------------|
| Interest bearing short-term loans | 181,207,111 | 51,955,697 |
| Interest bearing long-term loans | - | 102,998,663 |
| Amounts due to the shareholder | <u>181,207,111</u> | <u>154,954,360</u> |

Interest bearing loans to the shareholder are subject to the interest rate of 2.8%-6% (2021: 2.8%-6%), which is added semi-annually to the principal loan which is unsecured. The balance also includes an interest free loan of £2.3m (2021: £2.3m). The loans mature in July 2023.

QUEENSGATE GENERATOR HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

10 SHARE CAPITAL

Ordinary shares

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at General meetings of the Company.

| | 31 December 2022 GBP | 31 December 2021 GBP |
|----------------------------------|-------------------------|-------------------------|
| Allotted, issued and fully paid: | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |

11 CAPITAL CONTRIBUTIONS

| | Total GBP |
|---------------------|--------------|
| At 1 January 2021 | - |
| Additions | 4,123,316 |
| At 31 December 2021 | 4,123,316 |
| Additions | 928,935 |
| At 31 December 2022 | 5,052,251 |

Queensgate Generator S.a.r.l invested capital contributions of £928,935 (2021: £4,123,326) related to Covid funding. These funds were subsequently reinvested in group undertakings (see Note 6).

12 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent is Queensgate Fusion Holdco 1 S.a.r.l. The Company's shareholder is Queensgate Generator LP GP Limited, a company registered in England and Wales. Queensgate Generator S.a.r.l is parent undertaking of the smallest and the largest group for which consolidated accounts are drawn up, and of which the Company is a member, which are publicly available at 15 Boulevard F.W. Raiffeisen, L-2411 Luxembourg.

13 RELATED PARTY DISCLOSURE

The Company has taken advantage of the exemptions available under FRS101 not to disclose transactions with group companies where voting rights are wholly held within the Group.

14 EVENTS AFTER THE END OF THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the result of those operations, or the Company's state of affairs in future years.

There are no other events or matters required to be disclosed in the financial statements.