

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

Company No: SC292735

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HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2020

Director Daniel Roger

Registered number SC292735

Registered office Leonardo Hotel
Edinburgh City Centre
1 Morrison Street Link
Edinburgh
Scotland EH3 8DN

Independent statutory auditor Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The principal activity of the company is renting out of investment property.

Business review

In a competitive local market, results were as below:

	2020 £000	2019 £000	Change %
Turnover	825	825	-
Gross Profit	825	822	0.4
(Loss)/profit before Tax	(242)	361	(167)

The main movement between the results is due to the property revaluations and any impairments going through the statement of comprehensive income.

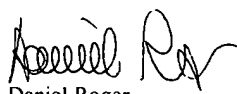
Principal risks and uncertainties

Since the Company is leasing the hotel to a related company, the management sees no principal risks.

On 23 June 2016, the United Kingdom voted to formally resign its membership of the European Union and the country left the EU in December 2020 following a transition period. There is no expected impact to the company due to the principal activity of the company, however it may impact the hotel operator and ultimately rental payments.

The company has continued to receive rental income from the hotel during the pandemic and has continued receiving rental income for 2021 and therefore does not consider Covid-19 to impact the performance of the company.

This report was approved by the board and signed on its behalf by:



Daniel Roger
Director

Date: 30 November 2021

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents their annual report together with the audited financial statements for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £800k (2019: profit of £460k). The directors do not recommend a dividend for the year ended 31 December 2020 (2019: £nil).

DIRECTORS

The director who served during the year and to the date of this report were:

Daniel Roger

Director's responsibilities statement

The director is responsible for preparing the Strategic and Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law, the director has elected to prepare the financial statements in accordance with international account standard in conformity with the requirements of the Companies Act 2006. Under company law, the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that year. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether international accounting standard in conformity with the requirements of Companies Act 2006 have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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.

Going Concern

The director has made an assessment on the company and its future trading projections. Following this assessment, which has included the potential effects of Covid-19, the company is in a strong net asset position of £3,925k (2019: £4,725k) and the company has received during the pandemic, and continues to receive, rental income from the hotel operator. They continue to adopt the going concern basis in preparing the Company's financial statements.

Subsequent Events

There were no events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

DIRECTOR'S REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

Disclosure of information to auditor

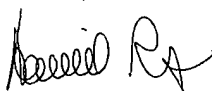
Each of the persons who was a director at the time when this Director's Report is approved has confirmed that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- That director has taken all of the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

It is proposed that Mazars LLP will continue in office in accordance with the Companies act 2006 section 487(2).

This report was approved by the Board and signed on its behalf by:



Daniel Roger
Director

Date: 30 November 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the financial statements of Hotel Property Fund (Syndicate 2) Limited (the 'company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash flows, 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 international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity 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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Hotel Property Fund (Syndicate 2) Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director 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 director is 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.

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

We have nothing to report 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 and the Director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement set out on page 3, the director is 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 director 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 director is 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 director 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.

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 identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

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

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the director and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

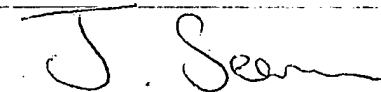
- Making enquiries of the director and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing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



Jonathan Seaman (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

Date: 1 December 2021

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Revenue	3	825	825
Cost of sales		-	(3)
Gross profit		825	822
Administrative expenses		(53)	(28)
Impairment of investment property	9	(800)	(200)
Operating (loss)/profit	4	(28)	594
Interest income	6	-	2
Interest expenses	7	(214)	(235)
(Loss)/profit before tax		(242)	361
Tax on (loss)/profit	8	(558)	99
(Loss)/profit for the financial year		(800)	460
Other comprehensive income		-	-
Total Comprehensive (loss)/income for the year		(800)	460


All amounts relate to continuing operations.

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

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020****Company number: SC292735**

	Note	2020 £000	2019 £000
ASSETS			
Non-current assets			
Investment property	9	10,300	11,100
		<u>10,300</u>	<u>11,100</u>
Current assets			
Trade and other receivables	10	-	-
Amounts owed by group undertakings		2,800	2,507
Cash at bank and in hand	11	90	245
		<u>2,890</u>	<u>2,752</u>
TOTAL ASSETS		<u>13,190</u>	<u>13,852</u>
EQUITY			
Share capital	18	109	109
Revaluation reserve	17	-	-
Retained earnings	17	3,816	4,643
Total Shareholder's funds		<u>3,925</u>	<u>4,725</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	78	48
Long term liabilities			
Other creditors	13	8,174	8,624
Deferred taxes	16	1,013	455
Total liabilities		<u>9,187</u>	<u>9,127</u>
TOTAL EQUITY AND LIABILITIES		<u>13,190</u>	<u>13,852</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Daniel Roger
Director

Date: 30 November 2021

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up Share capital £000	Cash flow Hedges £000	Revaluation reserve £000	Profit and Loss account £000	Total Equity £000
At 1 January 2020	109	-	-	4,616	4,725
Comprehensive expense for the year					
Loss for the year	-	-	-	(800)	(800)
At 31 December 2020	<u>109</u>	<u>-</u>	<u>-</u>	<u>3,816</u>	<u>3,925</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up Share capital £000	Cash flow Hedges £000	Revaluation reserve £000	Profit and Loss account £000	Total Equity £000
At 1 January 2019	109	-	-	4,156	4,265
Comprehensive income for the year					
Profit for the year	-	-	-	460	460
At 31 December 2019	<u>109</u>	<u>-</u>	<u>-</u>	<u>4,616</u>	<u>4,725</u>

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit after taxation		(800)	460
Adjustments to the profit and loss items:			
Financial expenses, net		214	235
Impairment of investment property		800	-
Corporation tax (paid)		-	-
Interest paid		-	-
Taxation charge		558	(99)
Changes in asset and liability items:			
Decrease in inventories		-	-
Decrease in trade and other receivables		-	-
Decrease in trade and other payables		31	(53)
Changes in group undertakings balances		(958)	(954)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(155)	(411)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		-	-
NET CASH INFLOW FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received from group undertakings		-	-
Loans repaid		-	-
Repayment of interest rate swap		-	-
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(155)	(411)
Cash and cash equivalents brought forward		245	656
CASH AND CASH EQUIVALENTS CARRIED FORWARD	11	90	245

The accompanying accounting policies and notes are an integral part of these financial statements.

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

Hotel Property Fund (Syndicate 2) Limited is a private limited company incorporated and domiciled in Scotland. The address of its registered office is Leonardo Hotel, Edinburgh City Centre, 1 Morrison Street Link, Edinburgh, EH3 8DN. The Company's principal activities at the year end are that of a property company and its trading address is Leonardo Inn Glasgow West Ends, Great Western Road, Glasgow, G12 0XP.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements are presented in pounds sterling (£) which is the functional currency of the company.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Company are presented below under 'Statement of Compliance'.

Going Concern

The director has made an assessment on the company and the future trading and following this assessment, which has included the potential effects of Covid-19. The company is in a strong net asset position of £3,925k (2019: £4,725k) and the company has received during the pandemic and continues to receive rental income from the hotel operator. They continue to adopt the going concern basis in preparing the Company's financial statements.

Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

The estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities relate to: valuation of investment property and impairment of receivables.

Statement of compliance

The financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006. At the date of authorisation of these financial statements the following Standards and Interpretations affecting the Company, which have not been applied in these financial statements, were in issue, but not yet effective. The company does not plan to adopt these standards early:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Material;
- IFRS 3 Business Combinations (Amendment): Definition of a Business;
- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Amendments): Interest Rate Benchmark Reform;
- Conceptual Framework (Amendment): Amendments to References to the Conceptual Framework in IFRS Standards;
- IFRS 16 Leases (Amendment): Covid-19-related Rent Concessions.

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (continued)

Segment reporting

There is one continuing class of business, operating hotels in the UK.

All revenue arose within the UK therefore no further segmental information has been provided.

Revenue recognition

Revenue comprised of rental receipts which are recognised in line with the service being provided.

Current and deferred taxation

The current income tax charge is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction does not affect either the accounting or taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged on a straight line basis to profit and loss account.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Financial assets

The Company's financial assets comprise investment property, trade receivables and cash and cash equivalents.

Investment property

Investment property is carried at fair value determined annually derived from the current market rents and investment property yields for comparable property, adjusted if necessary for any difference in the nature, location or condition of the specific asset in line with IAS 40. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Inventory

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to sell.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Financial liabilities

The Company's financial liabilities comprise trade and other payables, accruals and amounts owed to group undertakings. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instruments.

Creditors

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Short term creditors are measured at the transition price. Long term creditors are measured at their fair value.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Cash flow hedge" represents the portion of the gain or loss net of deferred tax charges on a hedging instrument in a cash flow hedge that is determined to be an effective hedge
- "Revaluation reserve" represents the increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset.
- "Retained losses" represents retained losses.

3. REVENUE

	2020	2019
	£000	£000
United Kingdom	<u>825</u>	<u>825</u>

All turnover relates to one class of business.

4. OPERATING PROFIT

	2020	2019
	£000	£000
Impairment of investment property	800	200
Auditors remuneration	<u>4</u>	<u>5</u>

During the year, no director received any emoluments (2019: £Nil).

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

5. EMPLOYEES

	2020	2019
	£000	£000
Wages and salaries	-	-
Social security costs	-	-
Costs of defined contribution scheme	-	-
	<u>-</u>	<u>-</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020	2019
	No.	No.
Hotel Staff and Management	<u>1</u>	<u>1</u>

6. INTEREST INCOME

	2020	2019
	£000	£000
Other interest income	<u>-</u>	<u>2</u>

7. INTEREST EXPENSES

	2020	2019
	£000	£000
Other interest expense	<u>214</u>	<u>235</u>

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

8. TAXATION

	2020	2019
	£000	£000
Corporation tax		
Current tax on profits for the year	-	(65)
Total current tax	-	(65)
Deferred tax		
Origination and reversal of timing differences	558	-
Adjustments in respect of prior years	-	(34)
Total deferred tax	558	(34)
Taxation on (loss)profit on ordinary activities	558	(99)

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below.

	2020	2019
	£000	£000
(Loss)/profit on ordinary activities before tax	(242)	361
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(46)	69
Effects of:		
Fixed assets differences	160	52
Chargeable gain	504	-
Group relief claimed	(114)	(118)
Rate differences	54	(48)
Adjustment in respect of prior years	-	(65)
Transfer pricing adjustments	-	11
Total tax charge/(credit) for the year	558	(99)

Factors that may affect future tax charges

The rate of UK corporation tax is to remain at 19% until 31 March 2023. The Finance Act 2021, which was published on 11 March 2021 and received Royal Assent in May 2021, states that this rate is to be increased from 19% to 25% from 1 April 2023. These proposed changes had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements.

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

9. INVESTMENT PROPERTY

	Freehold investment property £000
Valuation	
At 1 January 2019	11,300
Impairment	(200)
At 31 December 2019	<u>11,100</u>
At 1 January 2020	11,100
Impairment	(800)
At 31 December 2020	<u>10,300</u>

The property has been valued independently as at 31 December 2020. The independent valuation company holds relevant professional qualifications and has recent experience in the location and category of property being valued.

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

10. TRADE AND OTHER RECEIVABLES

	2020	2019
	£000	£000
Trade debtors	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

11. CASH AND CASH EQUIVALENTS

	2020	2019
	£000	£000
Cash at bank and in hand	90	245
	<u>90</u>	<u>245</u>

12. TRADE AND OTHER PAYABLES

	2020	2019
	£000	£000
Other taxation and social security	-	27
Accruals and deferred income	78	21
	<u>78</u>	<u>48</u>
	<u>78</u>	<u>48</u>

13. CREDITORS MORE THAN ONE YEAR

	2020	2019
	£000	£000
Intercompany loans	8,174	8,624
	<u>8,174</u>	<u>8,624</u>
	<u>8,174</u>	<u>8,624</u>

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

14. LOANS

	2020	2019
	£000	£000
Analysis of the maturity of loans is given below:		
Amounts falling due within one year		
Bank loans	-	-
Amounts falling due 1-2 years		
Bank loans	-	-
Amounts falling due 2-5 years		
Bank loans	-	-
Intercompany loan	8,174	8,624
Amounts falling due after more than 5 years		
Bank loans	-	-

15. FINANCIAL INSTRUMENTS

The company's activities give rise to a number of financial risks: market risk, credit risk and liquidity risk. Market risk includes foreign exchange risk and cash flow and fair value interest rate risk. The company has in place risk management policies that seek to limit the adverse effects on the financial performance.

Financial instruments

The company does not use derivative financial instruments. The company finances its operations using bank balances and overdraft facilities, plus debtors and creditors. The cash flow is regularly monitored.

Capital risk management

The company manages capital and for the purpose of proper capital structure, in accordance with the economic conditions present on the market, and decides if the retained earnings should be distributed to shareholders. The company's principal capital management objective is that of maximisation of returns to shareholders. Management seek to manage capital in order to meet this objective through organic growth and other strategies as deemed appropriate. The company's objectives, policies and processes have not been changed during the year ended 31 December 2020.

Liquidity risk

At 31 December 2020 the cash position was £90k. The available cash is managed by the Financial Controller who decides the optimum use of available cash.

Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the company. Credit exposure is controlled by counterparty limits that are reviewed and approved by the company's management. The Company considers that trade receivables are exposed to limited credit risk.

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

16. DEFERRED TAXATION

	2020	2019
	£000	£000
At 1 January	(455)	(489)
Charged to the profit or loss	(558)	34
Charged to other comprehensive income	-	-
	<u>(1,013)</u>	<u>(455)</u>
At 31 December	<u>(1,013)</u>	<u>(455)</u>
The provision for deferred taxation is made up as follows:		
Capital gains	(1,013)	(455)
	<u>(1,013)</u>	<u>(455)</u>

17. EQUITY

Retained earnings

The balance held on this reserve is the accumulated retained profits of the company.

Revaluation reserve

This reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset.

Share capital

The balance on the share capital account represents the aggregate nominal value of all ordinary and preference shares in issue.

18. SHARE CAPITAL

	2020	2019
	£000	£000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
109,100 Ordinary Shares of £1 each	<u>109</u>	<u>109</u>

HOTEL PROPERTY FUND (SYNDICATE 2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

19. RELATED PARTY TRANSACTIONS

The company was due £2,800k (2019: 2,507k) by other companies within the group at 31 December 2020 as follows - £1,560k (2019: £1,121k) from Leonardo John Dalton House Ltd, £1,000 (2019: £1,228k) from Speedbird Developments Limited, £125k (2019: £nil) from Grand Harbour Hotel (Southampton) Limited, £100k (2019: £100k) from Fattal Hotels Southampton Limited, £15k (2019: £15k) from Etchecan Limited and £nil (2019: £43k) from Leonardo Manchester Adair Limited.

The company owed £8,174k to other group companies at 31 December 2020 (2019: £8,624k) which is wholly owed to its holding company, Etchecan Limited.

The company received rent of £825k (2019: £825k) from another company in the group and incurred £214k of interest expense (2019: £235k) on loans from other companies in the group.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent entity is Fattal Holdings (1998) Limited, a publicly listed company registered in Israel, by virtue of its indirect 100% shareholding.

The largest and smallest group into which the results of the company are consolidated is that headed by the ultimate parent company.

The directors consider David Fattal to be the ultimate controlling party.

21. SUBSEQUENT EVENTS

There were no events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.