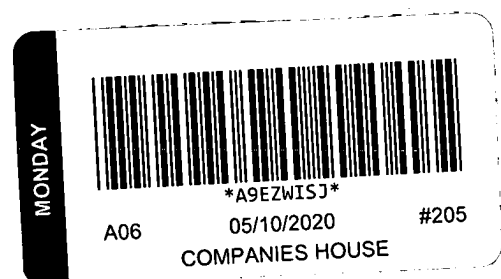


LONDON PORTMAN HOTEL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



LONDON PORTMAN HOTEL LIMITED

COMPANY INFORMATION

Directors	Mr I M Livingstone Mr L Sebastian Mr D L M Taljaard
Company number	00932874
Registered office	Quadrant House, Floor 6 4 Thomas More Square London E1W 1YW
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

LONDON PORTMAN HOTEL LIMITED

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LONDON PORTMAN HOTEL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Review of the business

A summary of the results is as follows:

	2019	2018
Turnover (£'000)	4,318	19,630
Gross Margin (%)	42.6%	62.1%
Net (loss)/profit (£'000)	(1,432)	6,991

The hotel closed in April 2019 for a major refurbishment of the property and is expected to re-open during late 2020.

Principal risks and uncertainties

The company is undertaking a significant refurbishment of the hotel. There are risks inherent in large scale construction projects relating to completion timescales and total project costs.

The company operates within a highly competitive place, in an industry that is heavily influenced by economic conditions. Although the company is subject to interest rate risk, it has hedged this exposure using interest rate swaps.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk and liquidity risk. The company has in place a risk management programme that attempts to limit the adverse effects on the financial performance of the company by monitoring levels of liquidity and related finance costs. Additionally, the company entered into interest rate swap arrangements to manage its exposure to the fluctuations in the interest rates on the company's borrowings.

Price risk

The company is not exposed to commodity price risk due to the nature of the business. It is also not exposed to equity securities prices risk as it holds no listed equity investments.

Credit risk

Credit risk arises from trade debtors and other debtors. The company has no significant exposure as hotel services are mostly paid at check-out. Corporate customers are subject to credit worthiness checks.

Credit risk may also arise from cash held in banks. It is the company policy that cash is only held in banks with high credit scores. As a result the risk to the company is deemed to be low.

Liquidity risk

Through cash flow forecasting, the company monitors working capital and capital expenditure requirements and ensures that cash is available to meet its obligations as and when they fall due by the use of loan arrangements. The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned enhancements.

Exchange rate risk

The company is exposed to minimal foreign exchange risk as the company operates within the United Kingdom, however does occasionally make purchases from European suppliers. This exposure is not material to the company.

In addition, all of the company's assets and liabilities are held in Pounds Sterling so sensitivity analysis is deemed unnecessary regarding foreign exchange risk.

LONDON PORTMAN HOTEL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Key performance indicators

The directors monitor the performance of the company by reviewing key performance indicators such as gross margin, operating margin and RevPAR (revenue per available room).

Going concern

The global Covid-19 pandemic has had a severe impact on the company's operations, resulting in a significant downturn in revenues and cash flows. Management have taken a number of actions to reduce costs and defer payments, taking advantage of government support and payment deferral schemes as appropriate.

Whilst the outlook remains uncertain, and further lockdowns are possible, the directors do not believe that there will be any other implications apart from the impact on the company's trading activities as the company does not have any external debt or committed costs which it will need to cover in the case of further lockdowns.

The company's hotel is currently undergoing significant redevelopment, the directors have received confirmation from London and Regional Properties Limited, a related entity, that it has adequate resources to continue to fund the redevelopment of the company's hotel.

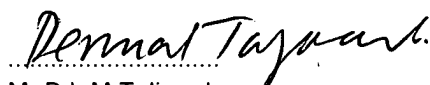
The directors continue to adopt the going concern basis of preparing the financial statements.

Subsequent events

Subsequent to the year end, the impact of COVID-19 on the UK economy started from the end of March 2020 and it has subsequently had a significant impact on the wider economy as well as the company's areas of operations.

COVID-19 is viewed as a non-adjusting event for the purposes of these financial statements, however the directors have had to consider its potential impact on the business when considering the ability of the company to operate as a going concern.

On behalf of the board



Mr D L M Taljaard

Director

17/04/2020

LONDON PORTMAN HOTEL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of a hotelier.

Directors

The directors who held office either during the year and/or up to the date of signature of the financial statements were as follows:

Mr I M Livingstone

Mr L Sebastian

Mr D L M Taljaard

(Appointed 12 March 2019)

Results and dividends

The company made a loss of £1.4m in the financial year ended 31 December 2019 (2018: profit of £7.0m) and net assets were £60.6m at the reporting date (2018: net assets of £62.9m).

No ordinary dividends were paid during the year (2018: £nil). The directors do not recommend the payment of a final dividend (2018: £nil).

Qualifying third party indemnity provisions

The company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial risk management

The company's activities expose it to a number of financial risks including credit risk and liquidity risk. Further details of the financial risk management are discussed in the strategic report on page 1.

Future developments

The London Portman Hotel was closed in April 2019 for a large-scale refurbishment of the hotel and is scheduled to be reopening in 2020. The outlook for the business remains positive, however the impact of Covid-19 is expected to impact the entity's profitability in the next year.

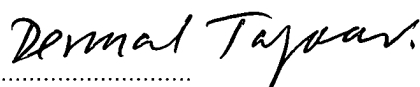
Independent Auditors

The Independent Auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Disclosure of information to independent auditors

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 auditors are 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 auditors are aware of that information.

On behalf of the board



Mr D L M Taljaard

Director

17/01/2020

LONDON PORTMAN HOTEL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

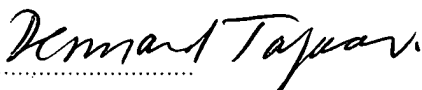
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

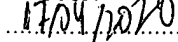
The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Mr D L M Taljaard

Director



LONDON PORTMAN HOTEL LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LONDON PORTMAN HOTEL LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, London Portman Hotel Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

LONDON PORTMAN HOTEL LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF LONDON PORTMAN HOTEL LIMITED

Reporting on other information (continued)

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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 these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

LONDON PORTMAN HOTEL LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF LONDON PORTMAN HOTEL LIMITED

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 September 2020

LONDON PORTMAN HOTEL LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	3	4,317,637	19,630,481
Cost of sales		(2,476,318)	(7,436,357)
Gross profit		1,841,319	12,194,124
Administrative expenses		(6,679,927)	(5,402,444)
Operating (loss)/profit	4	(4,838,608)	6,791,680
Interest receivable and similar income	8	4,471,099	3,127,386
Interest payable and similar expenses	9	(672,693)	(2,395,211)
(Loss)/profit on ordinary activities before taxation		(1,040,202)	7,523,855
Tax on (loss)/profit on ordinary activities	10	(392,274)	(532,513)
(Loss)/profit for the financial year		(1,432,476)	6,991,342
Other comprehensive income/(expense)			
Cash flow hedges - change in value of hedging instruments		49,631	471,840
Cash flow hedges - loss recycled to retained earnings		(1,130,090)	-
Tax relating to other comprehensive income/(expense)		214,717	(89,650)
Total comprehensive (expense)/income for the year		(2,298,218)	7,373,532

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

LONDON PORTMAN HOTEL LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	11	58,725,727	27,022,345
Current assets			
Stocks	12	-	18,140
Debtors: amounts falling due after more than one year		76,588,866	72,042,380
Debtors: amounts falling due within one year	13	2,763,036	1,884,537
Cash at bank and in hand		471,784	6,952,636
		<u>79,823,686</u>	<u>80,897,693</u>
Creditors: amounts falling due within one year	14	<u>(77,980,632)</u>	<u>(44,954,580)</u>
Net current assets		<u>1,843,054</u>	<u>35,943,113</u>
Total assets less current liabilities		<u>60,568,781</u>	<u>62,965,458</u>
Creditors: amounts falling due after more than one year	14	-	(98,459)
Net assets		<u>60,568,781</u>	<u>62,866,999</u>
Capital and reserves			
Called up share capital	17	640,064	640,064
Revaluation reserve		30,820,379	30,820,379
Hedging reserve		-	865,742
Retained earnings		29,108,338	30,540,814
Total equity		<u>60,568,781</u>	<u>62,866,999</u>

The financial statements were approved by the board of directors and authorised for issue on 17/04/2020 and are signed on its behalf by:

Derral Taljaard

Mr D L M Taljaard
Director

Company Registration No. 00932874

LONDON PORTMAN HOTEL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £	Revaluation reserve £	Hedging reserve £	Retained earnings £	Total £
Balance at 1 January 2018	640,064	30,820,379	483,552	23,549,472	55,493,467
Profit for the financial year	-	-	-	6,991,342	6,991,342
<i>Other comprehensive income:</i>					
- Cash flow hedges - change in value of hedging instruments	-	-	471,840	-	471,840
- Tax relating to other comprehensive income	-	-	(89,650)	-	(89,650)
Total comprehensive income for the year	-	-	382,190	6,991,342	7,373,532
Balance at 31 December 2018	640,064	30,820,379	865,742	30,540,814	62,866,999
Loss for the financial year	-	-	-	(1,432,476)	(1,432,476)
<i>Other comprehensive income/(expense):</i>					
- Cash flow hedges - change in value of hedging instruments	-	-	49,631	-	49,631
- Cash flow hedges gains reclassified to profit or loss	-	-	(1,130,090)	-	(1,130,090)
Tax relating to other comprehensive income/(expense)	-	-	214,717	-	214,717
Total comprehensive expense for the year	-	-	(865,742)	(1,432,476)	(2,298,218)
Balance at 31 December 2019	640,064	30,820,379	-	29,108,338	60,568,781

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

General information

London Portman Hotel Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House, Floor 6, 4 Thomas More Square, London, E1W 1YW.

The principal activity of London Portman Hotel Limited is that of a hotelier.

1.1 Statement of compliance

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

1.2 Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis and under the historical cost convention, except for derivative financial instruments that have been measured at fair value and tangible fixed assets that are held at either cost or revalued amount. The principal accounting policies adopted are set out below.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

1.3 Exemptions for qualifying entities under FRS102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- from the requirement to present financial instrument disclosures, as required by FRS 102 paragraphs 11.39 to 11.48A, paragraphs 12.26 and 12.29;
- from the requirement to disclose related party transactions, as required by paragraph 33.1A of FRS 102

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.4 Going concern

The global Covid-19 pandemic has had a severe impact on the company's operations, resulting in a significant downturn in revenues and cash flows. Management have taken a number of actions to reduce costs and defer payments, taking advantage of government support and payment deferral schemes as appropriate.

Whilst the outlook remains uncertain, and further lockdowns are possible, the directors do not believe that there will be any other implications apart from the impact on the company's trading activities as the company does not have any external debt or committed costs which it will need to cover in the case of further lockdowns.

The company's hotel is currently undergoing significant redevelopment, the directors have received confirmation from London and Regional Properties Limited, a related entity, that it has adequate resources to continue to fund the redevelopment of the company's hotel.

The directors continue to adopt the going concern basis of preparing the financial statements.

1.5 Turnover

Turnover represents amounts receivable from the provision of hotel services including room hire, bar and restaurant takings and is stated after deduction of value added tax.

Room and inclusive breakfast turnover is recognised at the end of the financial day. All other turnover such as bar and restaurant takings are recognised at the point of sale.

Any deposits are utilised at check-in.

1.6 Tangible assets

Tangible assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	40 years
Fixtures, fittings and equipment	3-7 years
Plant and machinery	10 years

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first in, first out, principle and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Where necessary provision is made for obsolete, slow moving and defective stocks.

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and 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 assets

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1.10 Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

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 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net 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 reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Retirement benefits

The pension costs charged as an expense in the financial statements represent the contributions payable by the company during the year to defined contribution and money purchase schemes.

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Critical accounting judgements and estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the entity's accounting policies

The directors have not applied any judgements in applying the company's accounting policies.

b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, the directors consider factors including the current credit rating of the debtors, the ageing profile of debtors and historic experience.

3 Turnover

The total turnover of the company for the year has been derived from its principal activity, the provision of hotel services, wholly undertaken in the UK.

4 Operating (loss)/profit

	2019	2018
	£	£
Operating (loss)/profit for the year is stated after charging:		
Depreciation and impairment of owned tangible assets	1,928,813	852,841
Bad debt provision	489	8,145
Stocks recognised as an expense	394,673	1,362,070

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2019 £	2018 £
Fees payable to the company's auditors for the audit of the company's annual financial statements	20,280	19,829
Non-audit fees		
Taxation compliance services	8,523	8,275

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Rooms	4	9
Catering	10	28
Other	29	102
	43	139

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,399,735	3,822,105
Social security costs	122,538	231,518
Pension costs	29,156	65,772
	1,551,429	4,119,395

7 Directors' emoluments

The directors did not receive any emoluments in respect of their services to the company (2018: £nil).

8 Interest receivable and similar income

	2019 £	2018 £
Interest receivable from parent company	3,341,009	3,127,386
Recycling of gains or losses on cash flow hedge to income statement	1,130,090	-
	4,471,099	3,127,386

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on bank overdrafts and loans	655,486	2,285,025
Amortisation of loan fees	17,207	110,186
	<u>672,693</u>	<u>2,395,211</u>

10 Tax on (loss)/profit on ordinary activities

	2019	2018
	£	£
Current tax		
UK corporation tax on (loss)/profits for the current year/period	-	554,382
Adjustments in respect of previous periods	466,633	52,778
	<u>466,633</u>	<u>607,160</u>
Deferred tax		
Origination and reversal of timing differences	(74,359)	(74,647)
	<u>392,274</u>	<u>532,513</u>

The (credit)/charge for the year can be reconciled to the (loss)/profit per the statement of comprehensive income as follows:

	2019	2018
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(1,040,202)</u>	<u>7,523,855</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	(197,638)	1,429,532
Depreciation in excess of capital allowances	357,897	170,939
Deferred tax on accelerated capital allowances	(74,359)	(74,647)
Utilisation of group tax losses	(160,259)	(1,046,088)
Adjustments in respect of previous periods	466,633	52,777
	<u>392,274</u>	<u>532,513</u>

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tax on (loss)/profit on ordinary activities

In addition to the amount (credited)/charged to the income statement for the financial year, the following amounts related to tax have been recognised directly in other comprehensive income.

	2019 £	2018 £
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(214,717)	89,650

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

11 Tangible assets

	Leasehold land and buildings £	Assets under construction £	Fixtures, fittings and equipment £	Plant and machinery £	Total £
Cost					
At 1 January 2019	68,537,991	-	20,477,203	11,648,749	100,663,943
Additions	-	33,618,325	13,870	-	33,632,195
At 31 December 2019	68,537,991	33,618,325	20,491,073	11,648,749	134,296,138
Accumulated depreciation and impairment					
At 1 January 2019	42,786,808	-	19,375,956	11,478,834	73,641,598
Depreciation charged in the year	643,781	-	1,115,117	169,915	1,928,813
At 31 December 2019	43,430,589	-	20,491,073	11,648,749	75,570,411
Carrying amount					
At 31 December 2019	25,107,402	33,618,325	-	-	58,725,727
At 31 December 2018	25,751,183	-	1,101,247	169,915	27,022,345

12 Stocks

	2019 £	2018 £
Raw materials and consumables	-	18,140

Stocks are stated after provisions for impairments of £nil (2018: £nil).

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Debtors

	Due within one year		Due after more than one year	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	63,564	1,410,807	-	-
Corporation tax recoverable	-	12,188	-	-
VAT recoverable	2,628,020	-	-	-
Amounts owed by group undertakings	-	-	76,145,594	71,888,184
Prepayments and accrued income	71,452	461,542	-	-
	<u>2,763,036</u>	<u>1,884,537</u>	<u>76,145,594</u>	<u>71,888,184</u>
Deferred tax asset shown separately (Note 16)	-	-	443,272	154,196
	<u>2,763,036</u>	<u>1,884,537</u>	<u>76,588,866</u>	<u>72,042,380</u>

Trade debtors are stated net of the provision for doubtful debts of £nil (2018: £8.1k).

Amounts owed by group undertakings bear interest at 4.6% per annum, are unsecured and repayable on demand.

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Creditors

	Note	Due within one year		Due after more than one year	
		2019 £	2018 £	2019 £	2018 £
Bank loans and overdrafts	15	-	41,711,019	-	-
Trade creditors		11,208	260,400	-	-
Other creditors		704	309,151	-	-
Corporation tax		744,801	573,039	-	-
Other taxation and social security		-	476,595	-	-
Derivative financial instruments		-	-	-	98,459
Deferred income		-	558,155	-	-
Amounts due to affiliates		72,168,996	-	-	-
Accruals and deferred income		5,054,923	1,066,221	-	-
		<u>77,980,632</u>	<u>44,954,580</u>	<u>-</u>	<u>98,459</u>

Derivative financial instruments - Interest rate swaps

On 24 February 2014 the company entered into an interest rate swap to receive interest at LIBOR and pay fixed interest of 2.0175%. The swap was based on a principal amount of the company's outstanding bank loan facility and matured in February 2019.

The instrument was used to hedge the company's exposure to interest rate movements on the outstanding bank loan facility. The hedging arrangement fixed the total interest payable on the outstanding loan to 4.35%. The interest rate swap matured in February 2019 and the loan was repaid in May 2019.

Cash flows on both the loan and the interest rate swaps were paid quarterly until May 2019 when the loan balance was fully repaid.

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Bank loans and overdrafts	2019	2018
	£	£
Bank loans	-	41,711,019
	<u> </u>	<u> </u>
	2019	2018
	£	£
Amounts payable within one year	-	41,711,019
	<u> </u>	<u> </u>

The bank loan was stated net of finance charges of £nil (2018: £17,207) to be allocated to future periods.

The bank loan was secured over the hotel and was repaid in May 2019. The loan bore interest at 2.55% + LIBOR per annum.

16 Deferred taxation

The following are the deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting year.

	Assets	Assets
	2019	2018
	£	£
Balances:		
Accelerated capital allowances	443,272	135,489
Derivative financial instruments	-	18,707
	<u> </u>	<u> </u>
	443,272	154,196
	<u> </u>	<u> </u>

Movements in the year:

	£
At 1 January 2019	154,196
Credit to profit or loss	74,359
Charge to other comprehensive income	214,717
	<u> </u>
At 31 December 2019	443,272
	<u> </u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

17 Called up share capital	2019	2018
	£	£
Issued and fully paid		
640,064 (2018: 640,064) Ordinary shares of £1 each	640,064	640,064
	<u> </u>	<u> </u>

LONDON PORTMAN HOTEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Retirement benefit schemes

	2019	2018
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	29,156	65,772

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Related party transactions

As the company is a wholly owned subsidiary of Barajas Holdings BV, the company has taken advantage of the exemption under section 33.1A of FRS102 from disclosing transactions or balances with entities which form part of the group.

At the year end the company owed £72,168,996 to its related company, London and Regional Properties Limited (2018: £nil).

20 Controlling party

The immediate parent undertaking is George Holdings (UK) Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Barajas Holdings BV, a company incorporated in the Netherlands. Copies of the Barajas Holdings BV financial statements can be obtained from Citco Nederland B.V., Telestone 8, Teleport, Naritaweg 165, 1043 BW, Amsterdam, The Netherlands.

The ultimate controlling party is I M Livingstone through his ownership of Barajas Holdings BV.

21 Subsequent events

Subsequent to the year end, the impact of COVID-19 on the UK economy started from the end of March 2020 and it has subsequently had a significant impact on the wider economy as well as the company's areas of operations.

COVID-19 is viewed as a non-adjusting event for the purposes of these financial statements, however the directors have had to consider its potential impact on the business when considering the ability of the company to operate as a going concern.