

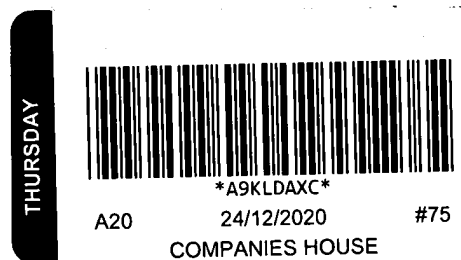
International Hoteliers (UK) Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 01698769



International Hoteliers (UK) Limited

Report and financial statements for the year ended 31 December 2019

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Directors

M A Cairns
K Cooper
F Bakhos
J Al Thani
Z El Guiziri

Secretary and registered office

K Cooper, 30 Portman Square, London, W1A 4ZX

Company number

01698769

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

International Hoteliers (UK) Limited

Strategic report for the year ended 31 December 2019

The directors present their Strategic report together with the audited financial statements for International Hoteliers (UK) Limited ("the company") for the year ended 31 December 2019.

Principal activities

The company continues to trade as an investment holding company. The company holds 100% share capital in Churchill Group Limited, which operates the Hyatt Regency London - The Churchill Hotel, Portman Square, London. There have been no changes in the company's activities in the year under review.

Business review

The strategy will be to continue to develop its existing investments.

2019 was a very successful year for The Churchill which, despite the political and economic uncertainty created by the BREXIT, still managed to perform above expectation demonstrating our continued efforts and focus in managing the business.

The combined effect of a successful revenue management strategy aimed to drive ADR and efforts of all the Operational and Supporting teams in enhancing cost efficiencies led to 2019 being the best performing year for this property since the Hyatt as Operator took over in 2004 which featured an increase in ADR by 8% whilst improving annual occupancy by 240 bps.

The directors' strategy in 2020 was to continue to drive economic success through a focus on room rates, optimization of our Business Mix and further development our key existing and emerging feeder markets although this was disrupted by the pandemic.

The impact of Covid19 was significant, resulting in the closure of the hotel. We were able to reopen on 7 September but trading levels have been subdued and significantly below prior years.

Following the year end, the group was able to refinance its facilities and apply an alternative set of covenants which are aligned to the current challenging trading environment.

Principal risks and uncertainties

The company's principal risks and uncertainties are same as that of its subsidiary.

The most significant risk facing the business currently is Covid19 and the ability of customers to travel and stay at the hotel. Given the hotel's trading is predominantly based on overseas visitors it is both the actions of the UK Government and those in the markets which are key to the business.

The hospitality industry in London remains highly competitive and the hotel seeks to manage the risk of losing customers to key competitors by focusing on anticipating, meeting and exceeding the expectations of its customers, encouraging client loyalty and extending retention.

The ongoing refurbishment of all public areas and guest-room facilities demonstrates our commitment to re-establishing and re-positioning Hyatt Regency London - The Churchill as one of the leading hotels in London. We believe The Churchill is well placed to re-gain and sustain a definable advantage in its market place.

The hotel's credit risk is primarily attributable to its trade debtors. Credit risk is well managed by running credit checks on new and existing customers and by monitoring payments against contractual agreements.

International Hoteliers (UK) Limited

Strategic report for the year ended 31 December 2019

Going concern

The impact of the recent Covid-19 pandemic has required an update to the Company's going concern analysis. Management has forecasted that the Company will be able to meet its obligations that arise in the future and at least for the 12 months from sign off. In order to monitor and mitigate the significant impacts of COVID-19, the Company has forecasted its minimum (unavoidable) expenditure and ensured that it can cover these with present rates of collection. These projections also incorporate mitigating actions the company has taken to reduce costs. The forecasts make various assumptions which include uncertainties. The key assumptions are around occupancy levels and achievable room rates.

The Company is subject to the group financing position and so it is the forecasts and obligations of the group which are key to the assessment of the going concern analysis. The Group was able to refinance during 2020 and as a result has been able to amend the covenants applicable to the business, with the key covenant surrounding loan to value levels of which there is significant anticipated headroom.

The Company is fortunate to benefit from the strong support of its ultimate parent company. The ultimate parent company has indicated that they would be willing to support the Company should cash funding be required, and have formalised this through a binding letter of support. As part of their assessment of going concern, the Directors of the Company have considered the funding and liquidity position of their ultimate parent company to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they have made enquiries to the parent company's Board of Directors. Based on the above considerations, the expectation of the Directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months and therefore it is appropriate to prepare the financial statements on a going concern basis.

Statement by the directors in accordance with s172(1) Companies Act 2006

In accordance with Section 172 of the Companies Act 2006, the directors of the company have acted in a way they consider to be in good faith and would be most likely to promote the success of the company for the benefit of its members as a whole.

Stakeholder engagement is an important area of focus for Havana Holdings (UK) Limited ("Company"). We ensure that we have open communication with our various stakeholder groups, creating a mutually beneficial relationship, and we use information gained through these relationships to make informed judgements when making key decisions.

The directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company. When making decisions, the interests of any key relevant stakeholders will always be considered, including employees, suppliers, customers, shareholders, the community, lenders and the environment. The company is committed to developing business relationships with suppliers and customers as this will ensure that the hotel maintains its five star rating.

The Board also takes into consideration the long-term consequences for both the Company and its relevant stakeholders when making these decisions by forecasting and considering the impact of these decisions. This ensures that the Company conducts its business in a fair way, protecting its reputation and external relationships.

Workforce engagement

Employee feedback

The Company has implemented a culture where employees are encouraged to provide feedback to senior leaders in the Company through both formal and informal meetings. We chose this as our preferred approach as we believe that this enables the widest range of views to be heard from across the workforce and it ensures to keep them informed on matters affecting them as employees. The purpose of this is to enable the team members to be involved in shaping strategic plans and major decisions, and give them the opportunity to set their own discussion topics with senior leaders.

International Hoteliers (UK) Limited

Strategic report for the year ended 31 December 2019

Confidential feedback

For team members who prefer to raise any concerns confidentially, and if they wish, anonymously, we have an independent, confidential and anonymous ethics line managed by a third-party operator, as well as a human resources department that provide a channel for confidential feedback which is available to everyone.

Shareholder engagement

The Board is committed to ensuring there is continued sufficient and effective communication and engagement between the Company and the shareholder through various different means throughout the year. This includes the Annual Report which sets out details of the Company's strategy, business model and performance over the past financial year and plans for future growth.

Supplier engagement

We undertake significant due diligence on our suppliers and we have regular monitoring to ensure all suppliers are working in line with our minimum standards. Key suppliers include food & beverage, agency staffing, cleaning, property maintenance & IT/security infrastructure. To ensure there is two way communication with suppliers, we regularly engage with them by phone and/or onsite – Contracts are reviewed annually and a fair competitive process is carried out when agreements expire or due for renewal.

Community engagement

The company works with local recruiters, job boards and charities to communicate the job opportunities within the Company to local residents, and people currently out of work, education or training.

Customers

As part of our staff training, we emphasise the importance of engaging with customers throughout their experience. We also enable our customers to get up to date pricing information and promotions through emails and our website, and we carry out a number of guest satisfaction surveys. As a five star establishment, the continued happiness and welfare of our guests is of the utmost importance and therefore all staff are encouraged to engage with the guests throughout their stay to provide a personalised service, as well as following up on feedback, whether directly or via booking sites. We ensure our offering remains up to date and attractive to customers, with a continuing process of refurbishment and renewal throughout the hotel.

Lender engagement

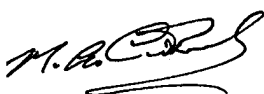
There is regular communication with the Company's lenders to discuss business performance, the market and any current issues.

Environment

As part of our daily operations we implement glass bottle, paper and card and light bulbs recycling, toner cartridges recycling, cardboard bailing, food waste management, descaling programs, energy management and combined heat and power, guest linen program etc. We try to source local produce and services where possible to minimise the environmental impact of our operations

Approval

This strategic report was approved by order of the Board on 18 December 2020



M A Cairns

Director

International Hoteliers (UK) Limited

Directors' report for the year ended 31 December 2019

The directors present their report together with the audited financial statements for International Hoteliers (UK) Limited ("the company") for the year ended 31 December 2019.

Results and dividends

The results of the company for the year are set out on page 9 and show a profit for the year on ordinary activities after taxation of £7,300,000 (2018 - £4,425,000).

Dividends of £7,227,273 have been paid during the year (2018 - £4,454,545). The directors do not recommend the payment of a final dividend.

Principal activities and review of the business

The principal activity of the company consists of the ownership of the headlease for the Hyatt Regency London - The Churchill Hotel, Portman Square, London. The company then subleases the property to its subsidiary, Churchill Group Limited.

Directors

The directors of the company during the year were:

M A Cairns
K Cooper
F Bakhos
J Al Thani
Z El Guiziri

No director had any beneficial interest in the shares of the company at any time during the year.

Disclosure of items within the Strategic report

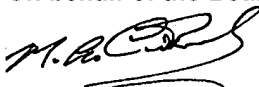
The directors have included statements relating the principal activities of the company, review of the business and future developments, going concern, the principal risks and uncertainties facing the company, and risk management in the Strategic report.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



M A Cairns

Director

Date 18 December 2020

International Hoteliers (UK) Limited

Directors' responsibilities statement for the year ended 31 December 2019 (*continued*)

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

International Hoteliers (UK) Limited

Independent auditor's report

Opinion

We have audited the financial statements of International Hoteliers (UK) Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the 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 Financial Reporting Standard 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 2019 and of its profit 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 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.

International Hoteliers (UK) Limited

Independent auditor's report (*continued*)

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

Matters on which we are required to report by exception

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 determines 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.

International Hoteliers (UK) Limited

Independent auditor's report (*continued*)

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 these financial statements.

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

Use of our 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.



Mark RA Edwards (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 22 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

International Hoteliers (UK) Limited

Statement of total comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover		207	-
Other operating income/(charges)		64	(30)
Operating profit	4	271	(30)
Income from shares in group undertakings		7,227	4,455
Interest payable and similar charges	6	(198)	-
Profit on ordinary activities before taxation		7,300	4,425
Taxation on ordinary activities	7		
Profit on ordinary activities and total comprehensive income		7,300	4,425

All amounts relate to continuing activities.

The notes on pages 12 to 23 form part of these financial statements.

International Hoteliers (UK) Limited

Statement of financial position at 31 December 2019

<i>Company number 01698769</i>	<i>Note</i>	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Right-of-use asset	10		6,046		-
Investments	9		125,494		125,494
Current assets					
Debtors	11	47		47	
Creditors: amounts falling due within one year	10,12	(1,264)		(1,395)	
Net current liabilities			(1,217)		(1,348)
Long term lease liability	10		(6,104)		-
Net assets			124,219		124,146
Capital and reserves					
Called up share capital	13,14		2,000		2,000
Revaluation reserve	14		98,625		98,625
Profit and loss account	14		23,594		23,521
Shareholders' funds			124,219		124,146

The financial statements were approved by the Board of Directors and authorised for issue on 18 December 2020



M A Cairns
Director

The notes on pages 12 to 23 form part of these financial statements.

International Hoteliers (UK) Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2019	2,000	98,625	23,521	124,146
Comprehensive income for the year:				
Profit for the year	-	-	7,300	7,300
Total comprehensive income for the year	-	-	7,300	7,300
Contributions by and distributions to owners				
Dividends	-	-	(7,227)	(7,227)
Total contributions by and distributions to owners	-	-	(7,227)	(7,227)
31 December 2019	2000	98,625	23,594	124,219

	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2018	2,000	98,625	23,551	124,176
Comprehensive income for the year:				
Profit for the year	-	-	4,425	4,425
Total comprehensive income for the year	-	-	4,425	4,425
Contributions by and distributions to owners				
Dividends	-	-	(4,455)	(4,455)
Total contributions by and distributions to owners	-	-	(4,455)	(4,455)
31 December 2018	2,000	98,625	23,521	124,146

The notes on pages 12 to 23 form part of these financial statements.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019

1 General information

International Hoteliers (UK) Limited ("the company") is a private company limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office can be found on the Contents page and the nature of the company's operations and its principal activities are set out in the Strategic report on page 1.

2 Accounting policies

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* and Financial Reporting Standard 101 *Reduced Disclosure Framework*. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain properties and financial instruments. The presentation currency used is sterling and amounts have been presented in round thousands ("£000s").

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Havana Holdings (UK) Limited.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Havana Holdings (UK) Limited.

The financial statements of Havana Holdings (UK) Limited can be obtained as described in note 14.

Exemption from preparation of consolidated financial statements

The company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to submit group accounts as the company is itself a wholly owned subsidiary of an EC parent company incorporated in Great Britain (see note 10). The financial statements present information about the company as an individual undertaking and not about its group.

International Hoteliers (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

New and amended standards and interpretations effective from 1 January 2019

The following standards with an effective date of 1 January 2019 have been adopted.

(a) IFRS 16 Leases

IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

Details of the impact this standard has had are given in note 17.

(a) IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The adoption of IFRIC 23 had no significant material impact on the financial statements. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 and have had a material impact on the company.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting
- Estimates and Errors (Amendment - Definition of Material)
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Going concern

The impact of the recent Covid-19 pandemic has required an update to the Company's going concern analysis. Management has forecasted that the Company will be able to meet its obligations that arise in the future and at least for the 12 months from sign off. In order to monitor and mitigate the significant impacts of COVID-19, the Company has forecasted its minimum (unavoidable) expenditure and ensured that it can cover these with present rates of collection. These projections also incorporate mitigating actions the company has taken to reduce costs. The forecasts make various assumptions which include uncertainties. The key assumptions are around occupancy levels and achievable room rates.

The Company is subject to the group financing arrangements and so the forecasts of the group are relevant to the going concern analysis of the Company. The Group was able to refinance during 2020 and as a result has been able to amend the covenants applicable to the business, with the key covenant surrounding loan to value levels of which there is significant anticipated headroom.

The Company is fortunate to benefit from the strong support of its ultimate parent company. The ultimate parent company has indicated that they would be willing to support the Company should cash funding be required, and have formalised this through a binding letter of support. As part of their assessment of going concern, the Directors of the Company have considered the funding and liquidity position of their ultimate parent company to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they have made enquiries to the parent company's Board of Directors. Based on the above considerations, the expectation of the Directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months and therefore it is appropriate to prepare the financial statements on a going concern basis.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

Investments

Investments held as fixed assets are stated at cost less any provision for diminution in value.

At each reporting date, an assessment is made as to whether there is any indication that the investment may be impaired. If such an indication exists, the company estimates the investment's recoverable amount. The investment is written down to the recoverable amount if this is lower than its carrying value. The impairment loss is recognised in profit or loss.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Financial instruments

The company classifies its financial instruments in the following categories: at fair value through profit or loss; at fair value through other comprehensive income and at amortised cost. The company's instruments include trade and other receivables and trade and other payables. Management determines the classification of the company's financial assets and liabilities at initial recognition.

Financial assets

(a) Trade and other receivables

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Financial liabilities

(b) Trade and other payables

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

Leases

Identifying Leases

The company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The company obtains substantially all the economic benefits from use of the asset; and
- (c) The company has the right to direct use of the asset.

The company considers whether the supplier has substantive substitution rights. If the supplier does have those rights the contract is not identified as giving rise to a lease. In determining whether the company obtains substantially all the economic benefits from use of the asset, the company considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Leases (continued)

In determining whether the company has the right to direct use of the asset, the company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

International Hoteliers (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

Leases (continued)

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

3 Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 discussed below.

(a) Impairment of investments

The company is required to consider whether the carrying value of the investments is reasonable or if an impairment has taken place. This is done by reference to the underlying trade and assets of the investments.

(b) Impairment of intercompany loans

Impairment provisions for amounts due between companies across the Group are recognised based on a forward looking expected credit loss model. Management has reviewed the intercompany loans granted to and by the entity. Based on their assessment they believe that credit risk has not increased significantly since initial recognition and there is no difference between the contractual and expected future cash flows of those intercompany loans, which have all been documented. As a result, none of those loans have been credit impaired at the reporting date. Management will keep monitoring at each reporting date.

(c) Judgement in identifying whether a contract includes a lease

At inception of a contract, an assessment is made whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Assessment as to whether the right-of-use assets are impaired
In estimating the recoverable amount of the right-of-use asset, the directors have made assumptions about the achievable market rates for similar properties with similar lease terms.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

3 Critical accounting estimates and judgements (*continued*)

(d) *Incremental borrowing rates used to measure lease liabilities*

Where the interest rate implicit in the lease cannot be readily determined, lease liabilities are discounted at the lessee's incremental borrowing rate. This is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities and the corresponding right-of-use assets (note 10). To determine the incremental borrowing rate the Company uses recent third-party financing as a starting point, and adjusts this for conditions specific to the lease such as its term and security. The Company used incremental borrowing rates specific to each lease which ranged between 2.16% and 3.25%.

4 Operating Profit

	2019 £'000	2018 £'000
This is arrived at after charging:		
Amortisation of right-of-use assets	146	-
Operating lease rentals - land and buildings	-	200
Operating lease income - land and buildings	(207)	(200)
	<hr/>	<hr/>

The fees for the company's annual statutory audit are borne by another group company.

5 Directors and employees

The company has no employees (2018 - Nil).

No directors received any remuneration during the year (2018 - £Nil).

6 Interest payable and similar charges

	2019 £'000	2018 £'000
Interest expense on lease liabilities (2018: finance liability)	198	-
	<hr/>	<hr/>

International Hoteliers (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

7 Taxation on ordinary activities

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	7,300	4,425
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,387	841
Effects of:		
Non taxable income - dividend	(1373)	(846)
Group relief surrendered	(14)	5
Current tax charge for year	-	-

The effects of changes to the corporation tax rates substantively enacted as part of the Finance Act 2016 which was enacted on 15 September 2016, made a further reduction of UK corporation tax to 17% effective 1 April 2020. Subsequent to the Statement of Financial Position date it has been announced that this change is to be reversed, for the rate to remain at 19% from 1 April 2020, however this has not yet been enacted.

8 Dividends

	2019 £'000	2018 £'000
Ordinary dividend paid of 361.4p (2018 – 222.7p) per share	7,227	4,455

9 Fixed asset investments

	£'000
<i>Cost and net book value</i>	
At 1 January 2019	125,494
Movement during year	-
At 31 December 2019	125,494

Further details of the subsidiary undertaking are given below:

Name	Principal activity	Description and proportion of shares held	Country of registration
Churchill Group Limited	Hotelier	100% ordinary shares 100% deferred shares	England

International Hoteliers (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

10 Leases

Nature of leasing activities (in the capacity as lessee)

The company's land and building lease activity relates entirely to the Hyatt Regency London. The lease payments are fixed, with no variable elements.

The company also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

Reconciliation of right-of-use assets

	Land and Buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 January 2019	6,102	27	6,129
Additions	-	63	63
Amortisation	(121)	(25)	(146)
At 31 December 2019	5,981	65	6,046

Lease liabilities

	Land and Buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 January 2019	6,102	27	6,129
Additions	-	56	56
Interest expense on lease liabilities	197	1	198
Lease payments	(207)	(27)	(234)
At 31 December 2019	6,092	57	6,149

The lease liability of £6,149,000 is split between current liabilities of £45,000 and long term lease liabilities of £6,104,000.

11 Debtors

	2019 £'000	2018 £'000
Other debtors	47	47

All debtors fall due within one year.

International Hoteliers (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

12 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to subsidiary undertaking	1,219	1,395
Short term lease liability	45	-
	<u> </u>	<u> </u>

13 Share capital

	Authorised, allotted, called up and fully paid			
	2019 Number	2018 Number	2019 £'000	2018 £'000
Ordinary shares of £1 each	2,000,000	2,000,000	2,000	2,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Nominal value of share capital subscribed for.
Revaluation reserve	Gains/losses arising on the revaluation of the company's property (other than investment property). This reserve is not distributable to shareholders.
Retained earnings	All other net gains and losses and transactions with owners (eg dividends) not recognised elsewhere.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

15 Ultimate parent company

The parent company of the smallest group of which the company is a member and for which group accounts are prepared is Havana Holdings (UK) Limited, a company registered in the England and Wales. Copies of the consolidated accounts may be obtained from 30 Portman Square, London, W1A 4ZX.

The beneficial owner remains Sheikh Hamad bin Jassim bin Jaber Al Thani.

16 Related party transactions

The company has taken advantage of the exemption conferred by FRS 101, not to disclose transactions with group companies, on the basis that it is 100% controlled within the group and its parent undertaking, Havana Holdings (UK) Limited, prepares consolidated financial statements which are publicly available.

Barclays Bank plc has a charge over the assets and leasehold property held by the company in relation to The Churchill Hotel. This charge is in place in relation to the bank loan held by one of the company's parent undertakings, Havana Holdings (UK) Limited. At 31 December 2019, the balance due from Havana Holdings (UK) Limited to Barclays Bank plc was £75,648,094 (2018 - £80,181,818). This balance forms part of a joint loan facility with a related party for a total of £180,000,000 (2018 – £180,000,000) of which the company is a joint guarantor.

17 Effects of changes in accounting policies

The group adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB did not impact the group as they are either not relevant to the group's activities or require accounting which is consistent with the group's current accounting policies.

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The group does not have significant leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

The group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

23 Effects of changes in accounting policies (continued)

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- a) apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- b) exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- c) reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- d) applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases. However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

The group do not hold any finance leases or operating leases that meet the definition of investment property.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	Adjustments	31 December 2018 as originally presented £'000	IFRS 16	1 January 2019 £'000
Assets				
Property, plant and equipment	(a)	52,257	-	52,257
Right-of-use assets	(b)	-	6,129	6,129
Liabilities				
Lease liabilities	(c)	-	6,129	6,129
Equity				
Retained Earnings	(d)	36,691	-	36,691

(a) Property, plant and equipment was not adjusted as the group do not hold any leases previously classified as finance leases.

(b) Right-of-use assets of £6,129,000 recognised in the Statement of Financial Position.

(c) Lease liabilities of £6,129,000 recognised in the Statement of Financial Position.

(d) Retained earnings had no impact.

International Hoteliers (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

23 Effects of changes in accounting policies (*continued*)

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The adoption of IFRIC 23 had no impact on corporate tax liabilities as uncertain tax treatments were already disclosed prior to the standard issuance and given in note 7 above.

18 Post balance sheet events

After the balance sheet date, COVID19 significantly impacted the group's trade and ultimately led to the closure of the hotel. The hotel reopened on 7 September 2020. The group was able to refinance its facilities successfully during the closure period.