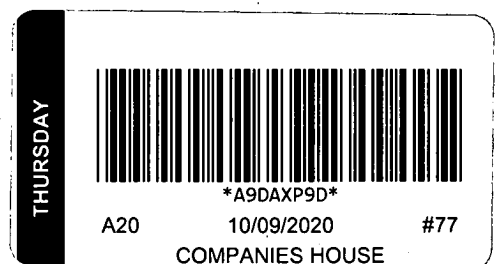


**Company Registration No. 03328595**

**Annual Report for the year ended  
31 December 2019**

**Red Carnation Hotels (U.K.)  
Ltd**



**COMPANY INFORMATION**

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**Directors**

J J Raggett  
V O'Hana

**Company Secretary**

S Royce

**Company registration number**

03328595

**Registered office**

14 Grosvenor Place  
London  
SW1X 7HH

**Auditor**

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

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**CONTENTS**

**YEAR ENDED 31 DECEMBER 2019**

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**STRATEGIC REPORT**

**YEAR ENDED 31 DECEMBER 2019**

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The Directors present their Strategic Report for the company for the year ended 31 December 2019.

**PRINCIPAL ACTIVITIES**

The principal activity of the company during the year was the provision of hotel management services to related parties.

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

There has been an increase in revenue of 13.3% in the year from £9,641,956 to £10,925,759 (2018: 4.1% increase) due to increased occupancy rates in the year.

In summary the key performance indicators that we use to monitor business performance are as follows:

Turnover growth

Gross profit margin

EBITDA (Earnings before interest, taxation, depreciation and amortisation).

EBITDA increased in the year to £1,182,399 (2018: £553,969), as the company managed to maintain the margins and manage costs and also the impact of the calculation due to accounting for IFRS 16. The company has retained earnings of £5,202,967 (2018: £4,702,532) and has cash assets of £3,480,686 (2018: £3,156,886).

The company expected 2020 to improve in terms of trading and with additional cost management to improve the results of the Company. However following the current situation with COVID-19 globally and ongoing pandemic as declared by the World Health Organisation within the UK and the current closure of hotel in in line with UK government guidelines, the Company expects 2020 to be an extremely challenging year. This is beyond the Company's control and management have put in measures to help control the impact on the Company.

**RESULTS AND DIVIDENDS**

The profit for the year amounted to £500,435 (2018: £515,022). The directors do not recommend the payment of a dividend (2018: £nil).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The directors acknowledge that they have responsibility for the company's systems of internal control and risk management and for monitoring their effectiveness. The purposes of these systems are to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the company.

No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the directors have regard to what controls, in their judgement, are appropriate to the company's business and to the relative costs and benefits of implementing specific controls.

The main risks that the company could face relate to factors that are common to the hotel industry and beyond the company's control, such as the global economic downturn, changes in travel patterns or in the structure of the travel industry and the increase in acts of terrorism.

Red Carnation Hotels (UK) Limited mitigates the risk of an economic downturn utilising financial support from The Travel Corporation, its ultimate parent company. This allows them to manage short and medium term fluctuations in demand.

**STRATEGIC REPORT (continued)**

**YEAR ENDED 31 DECEMBER 2019**

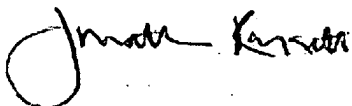
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**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an Implementation Period which is scheduled to end on 31 December 2020. During this period, the trading relationship between the UK and the EU is expected to remain unchanged, however the terms of the future relationship between the UK and the EU from 1 January 2021 onwards are still unknown. At the date of this report it is therefore impossible to assess in detail the opportunities and threats that this future relationship could present. The directors are managing these risks by closely monitoring developments, and are confident that the company will be able to amend and modify its procedures to remain fully compliant with any future rules and regulations, and to maintain its standing and reputation in the marketplace throughout Europe and worldwide.

Due to the ongoing global COVID-19 coronavirus pandemic the Company is monitoring the current situation and assessing the impact on a daily basis as the situation evolves. Further details are included in our subsequent events review in note 24.

Signed by order of the board of Directors.



**J J Raggett**

Director

Date: 29 May 2020

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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

#### **MATTERS COVERED IN THE STRATEGIC REPORT**

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the Strategic Report on pages 1 and 2. These matters relate to future developments.

#### **FINANCIAL INSTRUMENTS**

Details of the company's financial risk management objectives and policies are included in note 20 to the accounts.

#### **DIRECTORS**

The Directors who served the company during the year and until the date of this report were as follows:

J J Raggett  
V O'Hana

The company's Articles of Association include provisions indemnifying the directors for all liabilities incurred in the performance of their duties.

#### **STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS**

The Company recognises the importance of strong corporate governance at the core of the business to ensure sustainable growth and success. The Company aligns its business to ensure its framework is abiding by the 2018 UK Corporate Governance Code.

Whilst there is no requirement to have specific committees set up, there are frequent executive meetings held which cover areas such as audit and corporate responsibility. The Company remains committed to maintaining high standards of corporate governance led by and directed by the Board of Directors.

#### **GOING CONCERN**

Having made appropriate enquiries, the Directors consider it reasonable to assume that the company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements.

The directors have considered the impact of COVID-19 in making their going concern assessment based on the current situation and the impact on the Company and consider the going concern assessment to be appropriate. The Company is in a net liability position at the year end and the Company's ultimate parent has represented that it will continue to provide ongoing financial support to enable the Company to meet its financial obligations and that the Company will not be required to pay obligations owed to any group entities while its liabilities exceed its assets.

#### **POLITICAL DONATIONS**

The company made no political donations during the financial year (2018: £nil).

**DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**EVENTS AFTER THE REPORTING DATE**

Since the year end, the Company is facing the challenges in relation to COVID-19 which is impacting the trade in 2020. This has occurred post year end and is a non-adjusting post balance sheet event and more disclosure is within the notes of the accounts. There were no events subsequent to the balance sheet date that required adjustment to or disclosure in the financial statements.

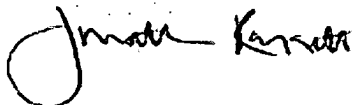
**DISCLOSURE OF INFORMATION TO THE AUDITOR**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**AUDITOR**

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

Signed by order of the directors



**J J Raggett**  
Director

Date: 29 May 2020



**M A Z A R S**

**RED CARNATION HOTELS (U.K.) LTD**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2019**

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

The 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 International Financial Reporting Standards ("IFRS") as adopted by the European Union 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 IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
RED CARNATION HOTELS (U.K.) LTD (continued)  
YEAR ENDED 31 DECEMBER 2019**

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**Opinion**

We have audited the financial statements of Red Carnation Hotels (U.K.) Ltd (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, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 IFRSs as adopted by the European Union;
- 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.

**Emphasis of matter – impact of the outbreak of COVID-19 on the financial statements**

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 3, and the consideration in the going concern basis of preparation on page 14 and non-adjustment post balance sheet events on page 37.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19, the potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
RED CARNATION HOTELS (U.K.) LTD (continued)  
YEAR ENDED 31 DECEMBER 2019**

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**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.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
RED CARNATION HOTELS (U.K.) LTD (continued)  
YEAR ENDED 31 DECEMBER 2019**

---

**Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specific 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 set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

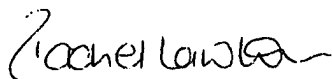
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
RED CARNATION HOTELS (U.K.) LTD (continued)  
YEAR ENDED 31 DECEMBER 2019**

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**Use of the audit report**

This report is made solely to the company's member 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.



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

Date: 29 May 2020

**RED CARNATION HOTELS (U.K.) LTD** Company Registration No. 03328595  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Revenue</b>	<b>3</b>	10,925,759	9,641,956
Cost of sales		(2,416,254)	-
Gross profit		8,509,505	9,641,956
Administrative expenses		(7,790,526)	(8,968,898)
<b>Profit from operations</b>	<b>4</b>	718,979	673,058
Finance income	<b>7</b>	-	8,601
Finance costs	<b>8</b>	(90,259)	(41,536)
<b>Profit before tax</b>		628,720	640,123
Taxation charge	<b>9</b>	(128,285)	(125,101)
<b>Profit for the year</b>		500,435	515,022
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		500,435	515,022

All results relate to continuing operations.

The notes on pages 14 to 37 form part of these financial statements.

**RED CARNATION HOTELS (U.K.) LTD** Company Registration No. 03328595  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2019**

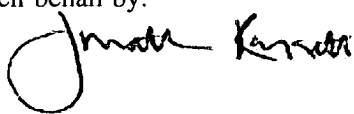
	Note	2019 £	2018 £
<b>Non-current assets</b>			
Property, plant and equipment	10	530,965	248,229
Right-of-use asset	11	2,055,440	-
Equipment inventories	12	573,108	350,930
		<u>3,159,512</u>	<u>599,159</u>
<b>Current assets</b>			
Right-of-use asset	11	81,730	-
Trade and other receivables	14	378,545	449,362
Amounts due from related parties	13	41,179,561	39,057,960
Cash and cash equivalents	15	3,480,686	3,156,886
		<u>45,120,522</u>	<u>42,664,208</u>
<b>Total assets</b>		<u>48,280,034</u>	<u>43,263,367</u>
<b>Non-current liabilities</b>			
Obligations under leases	18	1,979,998	-
Amounts due to related parties	16	4,052,941	3,246,317
		<u>6,032,939</u>	<u>3,246,317</u>
<b>Current liabilities</b>			
Obligations under leases	18	290,716	-
Trade and other payables	17	3,558,107	3,026,467
Amounts due to related parties	16	33,195,205	32,287,951
		<u>37,044,028</u>	<u>35,314,418</u>
<b>Total liabilities</b>		<u>43,076,967</u>	<u>38,560,735</u>
<b>Equity</b>			
Share capital	23	100	100
Retained earnings		5,202,967	4,702,532
<b>Total equity</b>		<u>5,203,067</u>	<u>4,702,632</u>
<b>Total liabilities and equity</b>		<u>48,280,034</u>	<u>43,263,367</u>

The notes on pages 14 to 37 form part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue and are signed on their behalf by:

J J Raggett  
Director

Date: 29 May 2020



**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2019**

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	Note	Share capital £	Retained Earnings £	Total equity £
At 1 January 2018		100	4,187,510	4,187,610
Total comprehensive income for the year		-	515,022	515,022
At 1 January 2019		100	4,702,532	4,702,632
Total comprehensive income for the year		-	500,435	500,435
At 31 December 2019	23	100	5,202,967	5,203,067

The notes on pages 14 to 37 form part of these financial statements.

**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Profit after taxation		500,435	515,022
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	9	111,677	95,678
Depreciation on right-of-use assets	11	351,743	-
Finance income		-	(8,601)
Finance costs		90,259	41,536
Taxation		128,285	125,101
<b>Cash flows from operations before changes in working capital</b>		<u>1,182,399</u>	<u>768,736</u>
Decrease in trade and other receivables		70,817	40,852
Increase in trade and other payables		531,641	395,353
(Increase)/decrease in equipment inventories		(222,178)	206,911
<b>Cash generated from operations</b>		<u>1,562,679</u>	<u>1,411,852</u>
Interest paid		(45,430)	(41,536)
Payment for group tax relief		(125,101)	(146,007)
<b>Net cash from operating activities</b>		<u>1,392,148</u>	<u>1,224,309</u>
<b>Cash flows generated from investing activities</b>			
Purchase of property, plant and equipment	10	(394,413)	(51,121)
Proceeds on disposal of property, plant and equipment		-	20,906
Additions to right-of-use assets		(2,488,912)	-
Interest received		-	8,601
<b>Net cash used in investing activities</b>		<u>(2,883,325)</u>	<u>(21,614)</u>
<b>Cash flows generated from financing activities</b>			
Increase/(decrease) in amounts due to related parties		1,710,693	(537,872)
(Increase)/decrease in amounts due from related parties		(2,121,601)	1,050,041
Interest on lease liabilities		(44,829)	-
Increase in lease liabilities		2,270,714	-
<b>Net cash from financing activities</b>		<u>1,814,977</u>	<u>512,169</u>
Net increase in cash and cash equivalents		323,800	1,714,864
Cash and cash equivalents at 1 January		<u>3,156,886</u>	<u>1,442,022</u>
<b>Cash and cash equivalents at 31 December</b>	15	<u><u>3,480,686</u></u>	<u><u>3,156,886</u></u>

The notes on pages 14 to 37 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

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**1. ACCOUNTING POLICIES**

**General information**

Red Carnation Hotels (U.K.) Ltd is a private company incorporated and domiciled in England and Wales. The address of the registered office in the United Kingdom is stated on the company information page and the nature of the company's operations and principal activities are stated in the Strategic Report. The financial statements have been presented in Pounds Sterling as this is the currency of the primary economic environment that the company operates in.

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These financial statements have been prepared under historical cost convention. The accounting policies set out below have, unless otherwise stated, been applied consistently to all period presented in these financial statements.

**Going concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. The directors have considered the impact of COVID-19 in making their going concern assessment based on the current situation and the impact on the Company and consider the going concern assessment to be appropriate.

**Revenue recognition**

Revenue is recognised from the sale of goods and services from the company's ordinary activities.

Revenue is recognised from the sale of services when the amount can be measured reliably, the service has been provided and is stated after trade discounts and other sales taxes, and is net of VAT.

**Property, plant and equipment**

Items of property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	- 10% straight line
Motor Vehicles	- 20% straight line
Equipment	- 20% straight line

**Inventories**

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

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**1. ACCOUNTING POLICIES (continued)**

**Impairment**

Individual items of tangible fixed assets are reviewed for impairment annually and tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that do not generate independent cash flows are combined into cash generating units. If carrying amounts exceed estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. Recoverable amount is the higher of fair value less cost to sell and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

**Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of comprehensive income on an accruals basis.

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 balance sheet date.

**Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

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**1. ACCOUNTING POLICIES (continued)**

**Financial instruments**

Financial assets and financial liabilities are recognised on the company statement of financial position when the company becomes a party to the contractual provisions of the instrument.

***Financial assets***

The company's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are initially recognised at fair value plus transaction costs, when the company becomes party to the contractual provisions of the instrument.

Interest and other cash flows resulting from holding financial assets are recognised in the statement of comprehensive income using the effective interest method.

Provision for impairment of trade, related party receivables and other receivables is made when objective evidence is received that the company will not be able to collect all amounts due to it in accordance with the original terms of the receivable. The amount of the impairment is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Any change in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

A financial asset is derecognised if the contractual rights to receive the cash flows of the asset have been transferred or the company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the asset.

***Financial liabilities***

The company's financial liabilities include related party loans, trade and other payables and liabilities at fair value through profit and loss. Financial liabilities are recognised when the company becomes a party to the contractual agreement of the instrument. All interest related charges are recognised as an expense in finance costs in the statement of comprehensive income using the effective interest method.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the statement of comprehensive income when liabilities are derecognised or impaired, as well as through the amortisation process.

***Classification as equity or financial liability***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

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**1. ACCOUNTING POLICIES (continued)**

**Leases (pre IFRS 16)**

The company leases land and buildings. Rental contracts are typically made for fixed periods of 1 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. However, for leases of real estate for which the company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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**1. ACCOUNTING POLICIES (continued)**

**Standards, amendments and interpretations adopted in the current financial year ended 31 December 2019**

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company (see note 9).

	<b>EU effective date – periods beginning on or after*</b>	<b>Non-EU effective date – periods beginning on or after</b>
IFRS 9 Financial Instruments (Amendment): Prepayment Features with Negative Compensation	1 January 2019	1 January 2019
IFRS 16 Leases	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	1 January 2019
IAS 19 Employee Benefits (Amendment): Plan Amendment, Curtailment or Settlement	1 January 2019	1 January 2019
IAS 28 Investments in Associates and Joint Ventures (Amendment): Long-term Interests in Associates and Joint Ventures	1 January 2019	1 January 2019
Annual Improvements to IFRSs (2015 – 2017 Cycle)	1 January 2019	1 January 2019

**Impact of initial application of IFRS 16 leases**

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right of use asset and a lease liability at the commencement for all leases, except short term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Detail of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of the initial application of IFRS 16 for the Company is 1 January 2019.

The company had to change its accounting policies as a result of adopting IFRS 16. The company elected to adopt the modified retrospective approach to recognise the cumulative effect of initially applying the new standard on 1 January 2019.

**1. ACCOUNTING POLICIES (continued)**

**(a) Impact of the new definition of a lease**

The Company has made use of the practical expedients available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019.

**(b) Impact of Lessee accounting**

IFRS 16 changes how the Company accounted for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except those noted above) the Company:

- (i) Recognises right of use asset and lease liabilities on the balance sheet, initially measured at present value of the future lease payments, with the right of use asset adjusted by the amount of any prepaid or accrued lease payments
- (ii) Recognises depreciation of right of use asset and interest on lease liabilities in the profit and loss account

Lease incentives are recognised as part of the measurement of the right of use assets and lease liabilities.

The Company has used the following practical expedients when applying the modified approach to leases previously classified as operating leases under IAS 17:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019; and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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**1. ACCOUNTING POLICIES (continued)**

**(a) Financial impact of initial application of IFRS 16**

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 1.75%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

	<b>£'000</b>
Operating lease commitments as at 31 December 2018	25
Effect of discounting the above amounts	<u>(1)</u>
<b>Lease liabilities recognised at 1 January 2019</b>	<b><u>24</u></b>

By applying the modified approach to IFRS 16 there is no impact to the retained earnings and the results in the prior year with all leases being recognised onto the balance sheet in the current year.

At the end of 2018, there was a one year rolling lease on the property which was disclosed within the 2018 financial statements and reconciled above. During 2019, the Company signed a lease for the property for a 10 year period to December 2029 and has been recognised within the accounts.

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**1. ACCOUNTING POLICIES (continued)**

**Standards, amendments and interpretations in issue but not yet effective**

The adoption of the following standards, amendments and interpretations in future years are not expected to have a material impact on the company's financial statements.

The company is however continuing to assess the full impact that adopting the standards will have on future financial statements, and therefore the full effect is yet to be determined.

	<b>EU effective date – periods beginning on or after</b>	<b>Non-EU effective date – periods beginning on or after</b>
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Material	1 January 2020	1 January 2020
IFRS 3 Business Combinations (Amendment): Definition of a Business	1 January 2020	1 January 2020
IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Amendments): Interest Rate Benchmark Reform	1 January 2020	1 January 2020
Conceptual Framework (Amendment): Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	1 January 2020

**Critical accounting judgements and sources of estimate uncertainty**

The company's significant accounting policies are outlined in note 1 to the financial statements. The company Directors are required to conclude annually that the residual value of the property held exceeds the carrying value in the statement of financial position therefore eliminating the requirement for it to be depreciated.

**Key sources of estimation uncertainty**

***Right-of-use assets***

The interest rate used to calculate the finance charge on a right-of-use asset is the same as the interest rate used by the parent company on loans to the company. This being the cost of money to the company if it were to borrow funds to satisfy the lease obligation.



## 2. CHANGES IN ACCOUNTING POLICIES

As indicated in accounting policy above, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 and therefore comparative information has not been restated and is presented under IAS 17.

### *Policies applicable from 1 January 2019*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability are the fixed lease payments less any incentives receivable.

The lease liability is presented as a separate line on the balance sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

## 3. REVENUE

The revenue and profit before tax are attributable to the one principal activity of the company. An analysis of revenue is given below:

	2019	2018
	£	£
United Kingdom	9,668,964	8,542,847
European Union	871,931	741,101
Rest of world	384,684	358,008
	<u>10,925,759</u>	<u>9,641,956</u>

Due to the nature of the business the turnover is recognised when the service is provided and there was no impact on the change of standard in the prior year for IFRS 15 and revenue is recognised on a daily basis.

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**4. PROFIT FROM OPERATIONS**

Included in the profit for the year are the following:	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	825,000	750,000
Depreciation of property, plant and equipment	111,677	95,678
Depreciation of right-of-use assets	351,743	-
Auditor's remuneration - as auditor	6,500	6,390
- taxation services	1,500	850
- other services	400	375
Expenses relating to short term leases: land and buildings	-	63,879
Profit on Sale of Assets	-	(20,906)

**5. STAFF NUMBERS AND COSTS**

The average number of persons employed by the company during the financial year amounted to:

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Management staff	82	80

The aggregate payroll costs of the above were:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	4,822,385	4,375,424
Social security costs	525,975	524,082
Other pension costs (note 19)	186,890	167,694
	<b>5,535,250</b>	<b>5,067,200</b>

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019**

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**6. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Emoluments receivable	825,000	750,000
Employer contributions to defined contribution pension scheme	-	-
	<u>825,000</u>	<u>750,000</u>

The emoluments of the highest paid director:

Emoluments receivable	525,000	450,000
Employer contributions to defined contribution pension scheme	-	-
	<u>525,000</u>	<u>450,000</u>

No directors accrued benefits under company pension schemes (2018: none).

Key management personnel comprises the Directors of the company.

**7. FINANCE INCOME**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	-	8,601
	<u>-</u>	<u>8,601</u>

**8. FINANCE COSTS**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Interest on loans from related parties (note 22)	45,430	41,536
Interest expense on lease liabilities	44,829	-
	<u>90,259</u>	<u>41,536</u>

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****9. TAXATION**

<b>(a) Analysis of charge in the year</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Current tax:		
In respect of the current year	128,285	124,659
In respect of prior years	-	442
	<u>128,285</u>	<u>125,101</u>
Total tax in the statement of comprehensive income	<u>128,285</u>	<u>125,101</u>

**(b) Factors affecting current tax charge**

The tax assessed on the profit for the year varies from the effective rate of corporation tax in the UK of 19% (2018: 19%).

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Profit before taxation	628,720	640,123
Tax at effective rate of 19% (2018: 19%).	119,457	121,623
Adjustments to prior years		
Fixed asset differences	32,787	909
Expenses not deductible for tax purposes	11,173	18,808
Group relief claimed	(142,330)	(124,659)
Payment for group relief	128,285	124,659
Adjustments to tax charge in respect of previous periods	-	442
Adjustments to deferred tax due to average rate change	(16,877)	(1,756)
Deferred tax not recognised and adjustments to deferred tax	(4,210)	(14,925)
Total tax in statement of comprehensive income (note 8(a))	<u>128,285</u>	<u>125,101</u>

**(c) Factors that may affect future tax charges**

No provision was made for the deferred tax asset of £139,246 calculated at 17% (2018: £143,455 calculated at 17%), which arose from depreciation of equipment, fixtures and fittings in excess of taxation allowances available.

The claim for taxation allowances and the recoverability of the deferred tax asset is dependent on the availability of sufficient future taxable profits of the company against which unused taxation allowances and losses can be utilised. In such circumstances the company recognises that, at the statement of comprehensive income date, it may not be appropriate to provide for the deferred tax asset.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 DECEMBER 2019**
**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>Fixtures &amp; fittings</b>	<b>Motor vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2018	27,434	131,259	482,770	641,463
Additions	36,271	-	14,850	51,121
Disposals	(4,296)	-	(242,776)	(247,702)
At 31 December 2018	58,779	131,259	254,844	444,882
Additions	307,824	-	86,589	394,413
Disposals	(16,856)	-	(17,489)	(34,345)
At 31 December 2019	349,747	131,259	323,944	804,950
<b>Depreciation</b>				
At 1 January 2018	18,890	10,893	318,894	348,677
Charge for the year	2,485	26,252	66,941	95,678
Eliminated on disposal	(4,926)	-	(242,776)	(247,702)
At 31 December 2018	16,449	37,145	143,059	196,653
Charge for the year	25,968	26,252	59,457	111,677
Eliminated on disposal	(16,856)	-	(17,489)	(34,345)
At 31 December 2019	25,561	63,397	185,027	273,985
<b>Net book value</b>				
At 31 December 2019	324,186	67,862	138,917	530,965
At 31 December 2018	42,330	94,114	111,785	248,229

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31 DECEMBER 2019**
**11. RIGHT-OF-USE-ASSETS**
**NON-CURRENT**

	Land and buildings £	Equipment £	Total £
<b>Cost</b>			
At 1 January 2019	-	69,550	69,550
Additions	2,198,032	-	2,198,032
At 31 December 2019	<u>2,198,032</u>	<u>69,550</u>	<u>2,267,582</u>
<b>Depreciation</b>			
At 1 January 2019	-	-	-
Charge for the year	199,821	12,321	212,142
At 31 December 2019	<u>199,821</u>	<u>12,321</u>	<u>212,142</u>
<b>Net book value</b>			
At 31 December 2019	<u>1,998,211</u>	<u>57,229</u>	<u>2,055,440</u>

**CURRENT**

	Land and buildings £	Equipment £	Total £
<b>Cost</b>			
At 1 January 2019	152,784	68,546	221,330
Additions	-	-	-
At 31 December 2019	<u>152,784</u>	<u>68,546</u>	<u>221,330</u>
<b>Depreciation</b>			
At 1 January 2019	-	-	-
Charge for the year	87,487	52,113	139,601
At 31 December 2019	<u>87,487</u>	<u>52,113</u>	<u>139,601</u>
<b>Net book value</b>			
At 31 December 2019	<u>65,297</u>	<u>16,433</u>	<u>81,730</u>

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019**

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**11. RIGHT-OF-USE-ASSETS  
(CONTINUED)**

The Company leases two properties with a lease term of 10 years and various equipment with an average lease term of 3 years.

*Amounts recognised in the statement of comprehensive income*

The statement of comprehensive income shows the following amounts relating to leases:

	2019 £
Depreciation expense on right of use asset	351,743
Interest expense on lease liabilities	44,829

**12. EQUIPMENT INVENTORIES**

	2019 £	2018 £
Hotel furnishings acquired for future refurbishments	<u>573,108</u>	<u>350,930</u>

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****13. AMOUNTS DUE FROM RELATED PARTIES**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Due in less than one year</b>		
Mountbatten Limited	1,806,390	1,806,390
Summer Lodge Management Limited	13,580,530	12,746,097
The Twelve Apostles Hotel (Proprietary) Limited	3,345,360	3,412,620
Chesterfield Associates	616,742	616,742
Hotel D'Angleterre SA	2,228,222	2,524,641
Oyster Box Hotel (Proprietary) Limited	1,178,355	1,276,697
Xigera Lodge	37,607	6,872
Milestone Hotel Management Services Limited	2,857,219	2,011,830
Chesterfield Palm Beach LLC	2,536,474	1,937,607
Time Out Holidays Limited	471,365	588,414
Egerton Travcorp Limited	659,774	633,087
White Cloud Ventures	36,999	36,999
Bushmans Kloof SA	306,196	266,427
OGH Management Services Limited	5,086,461	4,762,818
Mountbatten Resorts Indonesia Limited	-	249,858
Bbar Restaurant Limited	4,373,656	4,043,700
Global River Cruises Limited	117,729	10,437
Chesterfield Palm Beach Hotel Property Inc	64,940	64,940
Chesterfield Palm Beach	-	465,362
Mountbatten Resorts (S) Pte Limited (Singapore)	18,884	18,884
Trafalgar Asia	2,825	3,284
Trafalgar Management Services Limited	-	-
Bouchard Finlayson Limited	130,170	102,808
Ashford Castle Hotel Limited	344,150	893,142
41 Buckingham Palace Road	17,066	17,066
The Laggan Hotel Management Limited	719,142	543,124
Travcorp Yacht Limited	4,390	4,390
Ashford Castle Travcorp Limited	11,292	11,292
The Lodge at Ashford Castle Travcorp	2,972	2,971
RCH Scotland Travcorp Limited	135,305	-
Princes Street Management Limited	159,798	-
Hatch Hall Travcorp Limited	1,100	-
Hatch Hall Hotel Limited	326,800	-
Travcorp Geneva SA	1,648	-
	<b>41,179,561</b>	<b>39,057,960</b>

The amounts due are unsecured, interest free and repayable on demand.



**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****14. TRADE AND OTHER RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Other receivables	65,657	67,561
Prepayments and accrued income	312,888	381,801
	<u>378,545</u>	<u>449,362</u>

**15. CASH AND CASH EQUIVALENTS**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	<u>3,480,686</u>	<u>3,156,886</u>

**16. AMOUNTS DUE TO RELATED PARTIES**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Due in less than one year</b>		
The Travel Corporation Limited – trading account	353,195	353,195
Chesterfield (Mayfair) Limited	5,929,756	5,967,360
Rubens Management Services Limited	10,461,249	11,938,004
Montague Management Services Limited	9,552,296	9,405,200
41 Buckingham Palace Road Limited	4,170,977	4,087,724
Egerton House Management Services Limited	1,844,278	37,296
Travcorp USA Inc	412,888	278,777
Trafalgar Retail Limited	345,527	220,395
Trafalgar Travcorp Management Services Limited	125,039	-
	<u>33,195,205</u>	<u>32,287,951</u>

The amounts due are interest free, unsecured and payable on demand.

**Due in greater than one year**

Travcorp Financial Services Limited	<u>4,052,941</u>	<u>3,246,317</u>
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The loan bears interest at 2% above the bank base rate (see note 22).

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019**

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<b>17. TRADE AND OTHER PAYABLES</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Trade payables	1,932,621	1,416,961
Other creditors including taxes and social security	1,625,487	1,609,506
	<u>3,558,108</u>	<u>3,026,467</u>

<b>18. LEASE LIABILITIES</b>	<b>2019</b>
	<b>£</b>
<b>Analysed as:</b>	
Current	290,716
Non-current	1,979,998
	<u>2,270,713</u>
 <i>Maturity Analysis</i>	
Within one year	290,716
Greater than two years	1,979,998
	<u>2,270,713</u>

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

**19. PENSIONS**

The company contributes to a defined contribution scheme open to all employees, subject to scheme rules. Contributions to the scheme are charged to statement of comprehensive income as incurred. These amounted to £186,890 (2018: £167,684) in the period. There were no outstanding contributions at the year end (2018: £nil).

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company holds or issues financial instruments in order to achieve three main objectives, as follows:

- a) to finance its operations;
- b) to manage its exposure to interest risk from its operations and from its sources of finance; and
- c) for trading purposes.

In addition, various financial instruments (e.g. trade receivables and trade payables) arise directly from the company's operations. Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below.

***Credit risk***

The company has no significant concentrations of credit risk. Amounts shown in the statement of financial position best represent the maximum credit risk exposure in the event of other parties failing to perform their obligations under financial instruments.

The company monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk.

The ultimate parent entity confirms that group liabilities will not be demanded whilst the company's liabilities exceed its assets. The loan with Travcorp Financial Services Limited is not due for repayment until 2027.

***Liquidity risk***

The company at all times maintains adequate committed credit facilities in order to meet all its commitments as and when they fall due. Long term borrowing, where it exists, is funded from within the Travel Corporation group. Travcorp Financial Services Limited has guaranteed to provide any future funding requirements of the company to enable it to meet its liabilities as they fall due. Unless disclosed, related party receivables and loans do not bear interest and the directors are of the opinion that the carrying value is not materially different from the fair value.

<b>Contractual Cash Flows</b>	<b>Carrying amount</b>	<b>Total cash flow</b>	<b>6 months or less</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>
	£	£	£	£	£	£	£
Loan from group undertaking 2018	3,246,317	3,565,317	-	-	-	-	3,565,317
Loan from group undertaking 2019	4,052,941	3,581,924	-	-	-	-	3,581,924

The loan agreements are due for repayment on 1 January 2027.

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)*****Interest rate risk***

The company is exclusively funded by related party borrowings and is not exposed to interest rate risk.

***Interest rate sensitivity analysis***

Interest rate sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the statement of financial position date. Based on the above assumptions if interest rates had been 0.5% higher/lower and all other variables were held constant, the directors have concluded that there would not be a material impact on the financial statements.

***Foreign exchange risk***

The company operates exclusively within the UK and is not directly exposed to foreign exchange risk.

***Capital risk management***

The company aims to manage its overall capital so as to ensure the company continues to operate as a going concern, whilst providing an adequate return to shareholders.

The company's capital structure represents the equity attributable to the shareholders of the company together with borrowings and cash and cash equivalents.

***Term and debt repayment analysis***

In respect of interest-bearing financial liabilities, the table below indicates their effective interest rates at the statement of financial position date.

	Nominal rate of interest	Year of maturity	2019		2018	
			Fair value	Carrying amount	Fair value	Carrying amount
Unsecured loans from group undertakings	2.50%	2027	3,581,924	2,345,142	3,565,317	1,595,000
Interest accruing on the above unsecured loans from group undertakings	0.00%	2027	-	1,707,799	-	1,651,317
			<u>3,581,924</u>	<u>4,052,941</u>	<u>3,565,317</u>	<u>3,246,317</u>

The fair values of loans from related parties have been determined by discounting cash flow projections at rates of interest having regard to the specific risks attached to them.

**RED CARNATION HOTELS (U.K.) LTD** Company Registration No. 03328595  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2019**

**21. COMMITMENTS UNDER OPERATING LEASES**

Company leases a hotel under an operating lease. The lease runs for a period of approximately 10 years with an option to review the lease after that date. The leases entered into by the Company are combined of land and buildings.

From 1 January 2019, the Company has recognised the right-of-use assets for these leases along with the lease liability and are included on balance sheet, see note 1, 2,9 and 16 for information.

	<b>2018</b>
Expiry date:	
Not later than one year	25,000
	<u>25,000</u>

**22. RELATED PARTY TRANSACTIONS**

During the year the company provided services to related parties as follows:

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
Chesterfield (Mayfair) Limited	Management services	1,801,907	1,586,253
Montague Management Services Limited	Management services	1,614,966	1,421,552
Rubens Management Services Limited	Management services	2,643,416	2,340,889
Milestone Hotel Management Services Limited	Management services	1,051,576	926,178
41 Buckingham Palace Road Limited	Management services	388,284	343,824
bbar Restaurant Limited	Management services	315,380	274,367
Egerton House Management Limited	Management services	481,790	424,282
Hotel D'Angleterre SA	Management services	65,736	59,760
The Twelve Apostles Hotel (Proprietary) Limited	Management services	107,100	100,092
Summer Lodge Management Limited	Management services	451,653	411,838
Acorn Pub Management Limited	Management services	65,988	61,680
Oyster Box Hotel (Proprietary) Limited	Management services	107,100	100,092
OGH Management Services Limited	Management services	513,422	447,571
Chesterfield Palm Beach LLC	Management services	104,928	98,064
Duke of Richmond Limited	Management services	337,545	301,257
The Lodge at Ashford Castle Limited	Management services	246,493	213,673
Ashford Castle Hotel Limited	Management services	625,493	527,428

**RED CARNATION HOTELS (U.K.) LTD** Company Registration No. 03328595  
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**22. RELATED PARTY TRANSACTIONS (continued)**

During the year the company incurred expenses from related parties as follows:

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
Travcorp Financial Services Limited	Loan interest	45,430	41,536
No Limits Limited	Management charges	85,374	85,374

Amounts owing from related parties, which are unsecured, interest free and repayable on demand are detailed below.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Immediate parent company</b>		
Mountbatten Limited	1,806,390	1,806,390
<b>Other group companies</b>		
Summer Lodge Management Limited	13,580,530	12,746,097
The Twelve Apostles Hotel (Proprietary) Limited	3,345,360	3,412,620
Chesterfield Associates	616,742	616,742
Hotel D'Angleterre SA	2,228,222	2,524,641
Xigera Lodge	1,178,355	6,872
Oyster Box Hotel (Proprietary) Limited	37,607	1,276,698
Milestone Hotel Management Services Limited	2,857,219	2,011,830
Chesterfield Palm Beach LLC	2,536,474	1,937,067
Time Out Holidays Limited	471,365	588,414
Egerton Travcorp Limited	659,774	633,087
White Cloud Ventures	36,999	36,999
Bushmans Kloof SA	306,196	266,427
OGH Management Services Limited	5,086,461	4,762,818
Mountbatten Resorts Indonesia Limited	-	249,858
Bbar Restaurant Limited	4,373,656	4,043,700
Global River Cruises Limited	117,729	10,437
Chesterfield Palm Beach Hotel Property Inc	64,940	64,940
Chesterfield Palm Beach	-	465,362
Trafalgar Asia	18,884	3,284
The Laggan Hotel Management Limited	719,142	543,124
Mountbatten Resorts (S) Pte Limited (Singapore)	-	18,884
41 Buckingham Palace Road Limited	130,170	17,066
Bouchard Finlayson Limited	130,170	102,808
Ashford Castle Hotel Limited	344,150	893,142
Travcorp Yacht Limited	4,390	4,390
Ashford Castle Travcorp Limited	11,292	11,292
The Lodge at Ashford Castle Travcorp	2,972	2,971
RCH Scotland Travcorp Limited	135,305	-
Princes Street Management Limited	159,798	-
Hatch Hall Travcorp	1,100	-
Hatch Hall Hotel	326,800	-
Travcorp Geneva	1,648	-

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****22. RELATED PARTY TRANSACTIONS (continued)**

Amounts owing to related parties, which are unsecured and payable after more than one year were:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Travcorp Financial Services Limited	4,052,941	3,246,371

The company had balances outstanding on interest free loans which are repayable on demand to the following related parties:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Ultimate parent company</b>		
The Travel Corporation Limited	353,195	353,195
<b>Other group companies</b>		
Chesterfield (Mayfair) Limited	5,929,756	5,967,360
Rubens Management Services Limited	10,461,249	9,875,498
Montague Management Services Limited	9,552,296	9,442,495
41 Buckingham Palace Road Limited	4,170,977	4,087,724
Egerton House Management Limited	1,844,278	2,062,506
Travcorp USA Inc	412,888	278,777
Trafalgar Retail Limited	345,527	220,395
Trafalgar Travcorp Management Services Limited	125,039	-
	<u>33,195,205</u>	<u>32,287,951</u>

**23. SHARE CAPITAL**

	<b>2019</b>		<b>2018</b>
	<b>Number</b>	<b>£</b>	<b>Number</b>
			<b>£</b>
<b>Allotted, called up and fully paid</b>			
Ordinary shares of £1 each	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>
<b>Equity shares</b>			
Ordinary shares of £1 each	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

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**24. EVENTS AFTER THE REPORTING DATE**

In March 2020, a global pandemic was declared by the World Health Organisation regarding the spread of the Covid-19 virus. Due to this pandemic, the UK government, along with many overseas government, took measures to safeguard the public's health to stop the spread of the virus. These measures included the closure of hotels, restaurants and non-essential shops which has had a direct impact on the hospitality sector, and, following which, the directors and Senior Leadership took the decision to close the hotel from mid-March for a period of time. During this period no revenue will be/was generated by the hotel and so cost control is a key focus for management going forward. At the time of signing the financial statements, the timeline for the end of this pandemic is unknown however management continue to monitor the situation to ensure employee and guest safety, whilst controlling costs and accessing ongoing government support in all instances during this period to ensure the continued success and growth of the Company subsequent to this pandemic.

**25. CONTROLLING PARTY AND PARENT COMPANIES**

The company's ultimate parent undertaking is The Travel Corporation Limited, a company incorporated in the British Virgin Islands. The Travel Corporation Limited is considered to be the company's controlling party.

The largest group in which the results of the company are consolidated is that headed by The Travel Corporation Limited, a company incorporated in the British Virgin Islands. The financial statements of this company are not available to the public. The smallest group in which they are consolidated is that headed by Chesterfield (Mayfair) Limited, its immediate parent company, a company registered in England and Wales.

Copies of the consolidated financial statements of Chesterfield (Mayfair) Limited are available to the public from the Registrar of Companies.



**RED CARNATION HOTELS (U.K.) LIMITED**

Company Registration No. 03328595

**NOTES TO THE DETAILED STATEMENT OF COMPREHENSIVE INCOME****YEAR ENDED 31 DECEMBER 2019**

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	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Revenue</b>	10,925,759	9,641,956
<b>Cost of sales</b>	(2,416,254)	-
<b>Overheads</b>		
Administrative expenses	(7,790,527)	(8,968,898)
<b>Profit from operations</b>	718,978	673,058
Finance income	-	8,601
Finance expenses	(90,259)	(41,536)
<b>Net finance expenses</b>	(90,259)	(32,935)
<b>Profit before taxation</b>	628,720	640,123

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**RED CARNATION HOTELS (U.K.) LIMITED**

Company Registration No. 03328595

**NOTES TO THE DETAILED STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 31 DECEMBER 2019**

	2019		2018	
	£	£	£	£
<b>Administrative expenses</b>				
<b>Personnel costs</b>				
Wages and salaries	4,822,385		4,375,424	
Staff national insurance contributions	525,975		524,082	
Staff pension contributions	186,890		167,694	
		5,535,250		5,067,200
<b>Establishment expenses</b>				
Repairs and maintenance	69,111		109,365	
Computer costs	253,965		109,853	
		323,076		219,218
<b>General expenses</b>				
Travel and subsistence	237,373		205,518	
Telephone	34,496		30,557	
Hire of equipment	1,541		657	
Printing, stationery and postage	29,174		48,376	
Archive and storage	4,802		252,174	
Staff training	201,223		210,671	
Staff welfare	590,247		503,530	
Sundry expenses	998,171		720,705	
Advertising and promotion	1,202,234		1,068,040	
Entertaining	362,522		335,132	
Legal and professional fees	96,967		91,878	
Auditor's remuneration and other fees	56,649		12,133	
Depreciation	111,677		95,678	
Depreciation on right of use asset	351,743		-	
Rent	-		63,879	
Rates	50,255		46,122	
(Profit)/Loss on sale of assets	-		(20,906)	
		4,329,074		3,664,144
<b>Financial costs</b>				
Credit card commission	1,920		5,710	
Bank charges	14,461		12,626	
Other costs	3,000		-	
		14,415		18,336
		10,206,781		8,968,898
<b>Net finance expenses</b>				
Bank interest receivable	-		8,601	
Interest payable on loans from related parties	(45,430)		(41,536)	
Interest on right-of-use assets	(44,289)		-	
		(90,295)		(32,935)