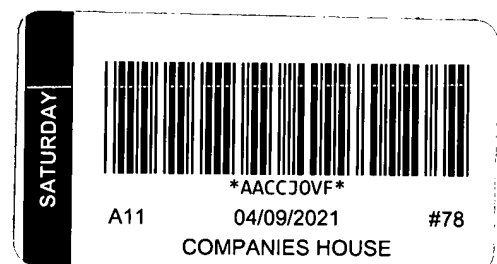


**Company Registration No. 03328595**

**Annual Report for the year ended  
31 December 2020**

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



**RED CARNATION HOTELS (U.K.) LTD** Company Registration No. 03328595

**COMPANY INFORMATION**

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<b>Directors</b>	J J Raggett V O'Hana
<b>Company Secretary</b>	S Royce
<b>Company registration number</b>	03328595
<b>Registered office</b>	14 Grosvenor Place London SW1X 7HH
<b>Auditor</b>	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

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**YEAR ENDED 31 DECEMBER 2020**

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## **STRATEGIC REPORT**

**YEAR ENDED 31 DECEMBER 2020**

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The Directors present their Strategic Report for the company for the year ended 31 December 2020.

### **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 a decrease in revenue of 28.6% in the year from £10,925,759 to £7,803,993 (2019: 13.3% increase) and is due to the COVID-19 pandemic which has impacted the company in the year. EBITDA increased in the year to £1,203,497 (2019: £1,182,399), as the company managed to maintain the margins and manage costs. The company has retained earnings of £5,544,333 (2019: £5,202,967) and has cash assets of £1,742,450 (2019: £3,480,686).

During the year, the company used the Government support schemes such as the Coronavirus Job Retention Scheme, along with deferrals of the PAYE and VAT payments. The company also received a rental waiver from the landlord for 2020 and has been through an employee restructuring programme in the year. These measures have been adopted during 2020, to reduce the impact the pandemic has had on the business.

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).

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 situation with COVID-19 globally and ongoing pandemic as declared by the World Health Organisation within the UK and the current restrictions of the hotel in line with UK government guidelines, the company expects 2021 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 £341,366 (2019: £500,435). The directors do not recommend the payment of a dividend (2019: £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.

**STRATEGIC REPORT (continued)**

**YEAR ENDED 31 DECEMBER 2020**

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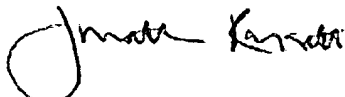
**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

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.

New trading arrangements between the United Kingdom and the European Union took effect on 31 December 2020. In general, tariffs and quotas on trade have not been introduced, although administrative complications and regulatory restrictions have reduced the freedom of cross-border trade. The company is carefully monitoring the practical application of the new trading arrangements by regulatory authorities, to better understand what the eventual impact on its business will be. The process of determining these effects is ongoing and has also been delayed by the suspension of certain sectors of economic activity in response to the COVID-19 pandemic.

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.

Signed by order of the board of Directors.



**J J Raggett**  
Director

Date: 18.06.2021

**DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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The Directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

**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 19 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.

**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 ongoing 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 (2019: £nil).

**EVENTS AFTER THE REPORTING DATE**

Since the year end, the company has continued to be faced by the challenges of Covid-19 which is impacting the business and trade in 2021, due to the government imposed restrictions on the industry enforced from the end of 2020 until May 2021. The company expects to see improved performance from May 2021 with gradual improvements throughout the rest of 2021. There were no events subsequent to the balance sheet date that require adjustment or further disclosure within the financial statements.

**DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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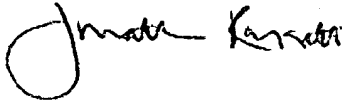
**DISCLOSURE OF INFORMATION TO THE AUDITOR**

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: 18.06.2021

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

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2020**

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  
YEAR ENDED 31 DECEMBER 2020**

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**Opinion**

We have audited the financial statements of Red Carnation Hotels (U.K.) Ltd Limited (the 'company') for the year ended 31 December 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended; and
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

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

**Other information**

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
RED CARNATION HOTELS (U.K.) LTD (continued)  
YEAR ENDED 31 DECEMBER 2020**

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**Other information (continued)**

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

We have nothing to report in this regard.

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

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

- the information given in the Strategic Report and the 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.

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

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

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

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

**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 company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
RED CARNATION HOTELS (U.K.) LTD (continued)  
YEAR ENDED 31 DECEMBER 2020**

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

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

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

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

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

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

RED CARNATION HOTELS (U.K.) LTD

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
RED CARNATION HOTELS (U.K.) LTD (continued)  
YEAR ENDED 31 DECEMBER 2020**

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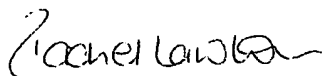
**Auditor's responsibilities for the audit of the financial statements (continued)**

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

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

**Use of the audit report**

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



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 1DD

Date: 1 July 2021

**RED CARNATION HOTELS (U.K.) LTD** Company Registration No. 03328595  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
<b>Revenue</b>	<b>2</b>	7,803,993	10,925,759
Cost of sales		(1,749,060)	(2,416,254)
Gross profit		6,054,933	8,509,505
Administrative expenses		(5,787,874)	(7,790,526)
Other operating income	<b>3</b>	398,385	-
<b>Profit from operations</b>	<b>4</b>	665,444	718,979
Finance costs	<b>7</b>	(146,122)	(90,259)
<b>Profit before tax</b>		519,322	628,720
Taxation charge	<b>8</b>	(177,956)	(128,285)
<b>Profit for the year</b>		341,366	500,435
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		341,366	500,435

All results relate to continuing operations.

The notes on pages 14 to 35 form part of these financial statements.

**RED CARNATION HOTELS (U.K.) LTD** Company Registration No. 03328595  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
<b>Non-current assets</b>			
Property, plant and equipment	9	1,054,394	530,965
Right-of-use asset	10	2,693,417	2,055,440
Equipment inventories	11	505,659	573,108
		<u>4,253,470</u>	<u>3,159,512</u>
<b>Current assets</b>			
Right-of-use asset	10	-	81,730
Trade and other receivables	13	397,656	378,545
Amounts due from related parties	12	45,486,672	41,179,561
Cash and cash equivalents	14	1,742,450	3,480,686
		<u>47,626,778</u>	<u>45,120,522</u>
<b>Total assets</b>		<u>51,880,248</u>	<u>48,280,034</u>
<b>Non-current liabilities</b>			
Obligations under leases	17	2,511,024	1,979,998
Amounts due to related parties	15	12,408,775	4,052,941
		<u>14,919,799</u>	<u>6,032,939</u>
<b>Current liabilities</b>			
Obligations under leases	17	322,635	290,716
Trade and other payables	16	4,561,181	3,558,107
Amounts due to related parties	15	26,532,200	33,195,205
		<u>31,416,016</u>	<u>37,044,028</u>
<b>Total liabilities</b>		<u>46,335,815</u>	<u>43,076,967</u>
<b>Equity</b>			
Share capital	21	100	100
Retained earnings		5,544,333	5,202,967
<b>Total equity</b>		<u>5,544,433</u>	<u>5,203,067</u>
<b>Total liabilities and equity</b>		<u>51,880,248</u>	<u>48,280,034</u>

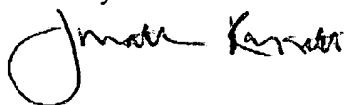
The notes on pages 14 to 35 form part of these financial statements.

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: 18.06.2021



**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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	Note	Share capital £	Retained Earnings £	Total equity £
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		100	5,202,967	5,203,067
Total comprehensive income for the year		-	341,366	341,366
At 31 December 2020	21	100	5,544,333	5,544,433

The notes on pages 14 to 35 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

	<b>Note</b>	<b>2020 £</b>	<b>2019 £</b>
<b>Cash flows from operating activities</b>			
Profit after taxation		341,366	500,435
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	<b>9</b>	201,686	111,677
Depreciation on right-of-use assets	<b>10</b>	336,367	351,743
Finance costs	<b>7</b>	146,122	90,259
Taxation	<b>8</b>	177,956	128,285
<b>Cash flows from operations before changes in working capital</b>		<u>1,203,497</u>	<u>1,182,399</u>
(Increase)/decrease in trade and other receivables		(18,970)	70,817
Increase in trade and other payables		1,003,074	531,641
Decrease/(increase) in equipment inventories		67,449	(222,178)
<b>Cash generated from operations</b>		<u>2,255,050</u>	<u>1,562,679</u>
Interest paid		(101,714)	(45,430)
Payment for group tax relief		(128,285)	(125,101)
<b>Net cash from operating activities</b>		<u>2,025,051</u>	<u>1,392,148</u>
<b>Cash flows generated from investing activities</b>			
Purchase of property, plant and equipment	<b>9</b>	(725,115)	(394,413)
Proceeds on disposal of property, plant and equipment		-	-
Additions to right-of-use assets	<b>10</b>	(892,614)	(2,488,912)
<b>Net cash used in investing activities</b>		<u>(1,617,729)</u>	<u>(2,883,325)</u>
<b>Cash flows generated from financing activities</b>			
Increase in amounts due to related parties	<b>15</b>	1,692,829	1,710,693
(Increase) in amounts due from related parties	<b>12</b>	(4,356,924)	(2,121,601)
Interest on lease liabilities		(44,408)	(44,829)
Increase in lease liabilities	<b>17</b>	562,945	2,270,714
<b>Net cash (used in)/generated from financing activities</b>		<u>(2,415,558)</u>	<u>1,814,977</u>
Net (decrease)/increase in cash and cash equivalents		(1,738,236)	323,800
Cash and cash equivalents at 1 January		<u>3,480,686</u>	<u>3,156,886</u>
<b>Cash and cash equivalents at 31 December</b>	<b>14</b>	<u>1,742,450</u>	<u>3,480,686</u>

The notes on pages 14 to 35 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

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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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 periods presented in these financial statements.

**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 ongoing 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.

**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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

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**1. ACCOUNTING POLICIES (continued)**

**Inventories**

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

**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.

**Government grants**

Government grants relate to the Coronavirus Job Retention Scheme ("CJRS"). Government grants are not recognised until there is reasonable assurance that the Company will comply the conditions attaching to them and that the grants will be received. Government grants are recognised in profit and loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in the profit or loss in the period in which they become receivable.

Government grants relating to income are presented separately in the statement of comprehensive income within 'other operating income'.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

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**1. ACCOUNTING POLICIES (continued)**

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

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**1. ACCOUNTING POLICIES (continued)**

***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.

***Leases***

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.

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2020**

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**1. ACCOUNTING POLICIES (continued)****Standards, amendments and interpretations adopted in the current financial year ended 31 December 2020**

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements.

	<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
IFRS 16 Leases (Amendment): Covid-19-related Rent Concessions	1 June 2020	1 June 2020

**IFRS 16 COVID-19-Related Rent Concessions Amendment**

The adoption of the IFRS 16 COVID-19-Related Rent Concessions Amendment in the current year has had a material impact on the Company's financial statements.

The Company has applied the practical expedient in paragraph 46A of the Covid-19-Related Rent Concessions Amendment to IFRS 16. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The practical expedient has been applied to all rent concessions that meet the conditions of the amendment.

The Company has recognised a credit of £231,892 in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which they have applied the practical expedient.

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

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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>
IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (Amendments): Interest Rate Benchmark Reform – Phase 2	1 January 2021	1 January 2021
IAS 16 Property, Plant and Equipment (Amendment): Proceeds before Intended Use	1 January 2022	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Amendment): Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	1 January 2022
IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework	1 January 2022	1 January 2022
Annual Improvements to IFRSs (2018 – 2020 cycle)	1 January 2022	1 January 2022
IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January 2023	1 January 2023

**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.

**Critical judgement in applying the company's accounting policies**

***Assessing indicators of impairment***

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2020**

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**1. ACCOUNTING POLICIES (continued)****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. REVENUE**

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

	2020 £	2019 £
United Kingdom	6,798,668	9,668,964
European Union	663,853	871,931
Rest of world	341,472	384,684
	<u>7,803,993</u>	<u>10,925,759</u>

Due to the nature of the business the turnover is recognised when the service is provided and revenue is recognised on a daily basis.

**3. OTHER OPERATING INCOME**

	2020 £	2019 £
Government grants receivable	398,385	-
	<u>398,385</u>	<u>-</u>

Government grants receivable relate to the Coronavirus Job Retention Scheme (CJRS).

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**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2020**

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**4. PROFIT FROM OPERATIONS**

Included in the profit for the year are the following:	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	489,375	825,000
Depreciation of property, plant and equipment	201,686	111,677
Depreciation of right-of-use assets	336,367	351,743
Auditor's remuneration - as auditor	6,175	6,500
- taxation services	1,424	1,500
- other services	750	400
Sale of assets	1,675	-
	<u>          </u>	<u>          </u>

**5. STAFF NUMBERS AND COSTS**

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

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Management staff	79	82
	<u>          </u>	<u>          </u>

The aggregate payroll costs of the above were:	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,733,137	4,822,385
Social security costs	323,289	525,975
Other pension costs (note 18)	208,560	186,890
	<u>          </u>	<u>          </u>
	<u>4,264,986</u>	<u>5,535,250</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

**6. DIRECTORS' EMOLUMENTS**

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

	2020 £	2019 £
Emoluments receivable	489,375	825,000
Employer contributions to defined contribution pension scheme	-	-
	<u>489,375</u>	<u>825,000</u>

The emoluments of the highest paid director:

	2020 £	2019 £
Emoluments receivable	256,875	525,000
Employer contributions to defined contribution pension scheme	-	-
	<u>256,875</u>	<u>525,000</u>

No directors accrued benefits under company pension schemes (2019: none).

Key management personnel comprises the Directors of the company.

**7. FINANCE COSTS**

	2020 £	2019 £
Interest on loans from related parties (note 20)	101,714	45,430
Interest expense on lease liabilities	44,408	44,829
	<u>146,122</u>	<u>90,259</u>

**8. TAXATION**

**(a) Analysis of charge in the year**

	2020 £	2019 £
Current tax:		
In respect of the current year	154,409	128,285
In respect of prior years	23,547	-
	<u>177,956</u>	<u>128,285</u>
Total tax in the statement of comprehensive income		
	<u>177,956</u>	<u>128,285</u>

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

## 8. TAXATION (continued)

## (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% (2019: 19%).

	2020 £	2019 £
Profit before taxation	519,322	628,720
Tax at effective rate of 19% (2019: 19%).	98,671	119,457
Adjustments to prior years		
Fixed asset differences	20,307	32,787
Expenses not deductible for tax purposes	39,422	11,173
Group relief claimed	(150,283)	(142,330)
Payment for group relief	154,409	128,285
Adjustments to deferred tax due to average rate change	-	(16,877)
Adjustments to tax charge in respect of previous periods	23,546	-
Remeasurement of deferred tax for changes in tax rates	(14,186)	-
Deferred tax not recognised	6,070	(4,210)
Total tax in statement of comprehensive income (note 8(a))	177,956	128,285

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

No provision was made for the deferred tax asset of £126,654 calculated at 19% (2019: £139,246 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 2020**

**9. 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 2019	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
Additions	709,170	-	15,945	725,115
Disposals	-	-	(71,610)	(71,610)
At 31 December 2020	1,058,917	131,259	268,279	1,458,455
<b>Depreciation</b>				
At 1 January 2019	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
Charge for the year	109,858	26,251	65,577	201,686
Eliminated on disposal	-	-	(71,610)	(71,610)
At 31 December 2020	135,419	89,648	178,994	404,061
<b>Net book value</b>				
At 31 December 2020	41,611	923,498	89,285	1,054,394
At 31 December 2019	324,186	67,862	138,917	530,965

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

**10. RIGHT-OF-USE-ASSETS**

**NON-CURRENT**

	<b>Land and buildings £</b>	<b>Equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2019	-	69,550	69,550
<b>Additions</b>	<u>2,198,032</u>	<u>-</u>	<u>2,198,032</u>
At 31 December 2019	2,198,032	69,550	2,267,582
Additions	<u>812,345</u>	<u>80,269</u>	<u>892,614</u>
At 31 December 2020	<u><u>3,010,377</u></u>	<u><u>149,819</u></u>	<u><u>3,160,196</u></u>
<b>Depreciation</b>			
At 1 January 2019	-	-	-
Charge for the year	<u>199,821</u>	<u>12,321</u>	<u>212,142</u>
At 31 December 2019	199,821	12,321	212,142
Charge for the year	<u>222,386</u>	<u>32,251</u>	<u>254,637</u>
At 31 December 2020	<u><u>422,207</u></u>	<u><u>44,572</u></u>	<u><u>466,779</u></u>
<b>Net book value</b>			
At 31 December 2020	<u><u>2,588,170</u></u>	<u><u>105,247</u></u>	<u><u>2,693,417</u></u>
At 31 December 2019	<u><u>1,998,211</u></u>	<u><u>57,229</u></u>	<u><u>2,055,440</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

**10. RIGHT-OF-USE-ASSETS (continued)**  
**CURRENT**

	<b>Land and buildings £</b>	<b>Equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2019	152,784	68,546	221,330
Additions	-	-	-
At 31 December 2019	152,784	68,546	221,330
Additions	-	-	-
At 31 December 2020	152,784	68,546	221,330
<b>Depreciation</b>			
At 1 January 2019	-	-	-
Charge for the year	87,487	52,113	139,601
At 31 December 2019	87,487	52,113	139,601
Charge for the year	65,297	16,433	81,730
At 31 December 2020	152,784	68,546	221,330
<b>Net book value</b>			
At 31 December 2020	-	-	-
At 31 December 2019	65,297	16,433	81,730

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:

	<b>2020 £</b>	<b>2019 £</b>
Depreciation expense on right of use asset	336,367	351,743
Interest expense on lease liabilities	44,408	44,829
Changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient	(231,892)	-

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

<b>11. EQUIPMENT INVENTORIES</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Hotel furnishings acquired for future refurbishments	505,659	573,108
<b>12. AMOUNTS DUE FROM RELATED PARTIES</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Due in less than one year</b>		
Red Carnation Hotel Group Limited (previously Mountbatten Limited)	1,806,390	1,806,390
Summer Lodge Management Limited	14,353,025	13,580,530
The Twelve Apostles Hotel (Proprietary) Limited	3,339,152	3,345,360
Chesterfield Associates	616,742	616,742
Hotel D'Angleterre SA	2,342,404	2,228,222
Oyster Box Hotel (Proprietary) Limited	1,174,397	1,178,355
Xigera Lodge	168,511	37,607
Milestone Hotel Management Services Limited	3,945,689	2,857,219
Chesterfield Palm Beach LLC	2,210,091	2,536,474
Time Out Holidays Limited	485,373	471,365
Egerton Travcorp Limited	670,406	659,774
White Cloud Ventures	39,999	36,999
Bushmans Kloof SA	330,689	306,196
OGH Management Services Limited	6,432,968	5,086,461
Bbar Restaurant Limited	4,867,270	4,373,656
Global River Cruises Limited	170,773	117,729
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	(1,884)	2,825
Bouchard Finlayson Limited	130,170	130,170
Ashford Castle Hotel Limited	236,937	344,150
41 Buckingham Palace Road	17,066	17,066
The Laggan Hotel Management Limited	432,067	719,142
Travcorp Yacht Limited	4,390	4,390
Ashford Castle Travcorp Limited	14,292	11,292
The Lodge at Ashford Castle Travcorp	2,972	2,972
RCH Scotland Travcorp Limited	634,426	135,305
Princes Street Management Limited	(108,525)	159,798
Hatch Hall Travcorp Limited	294,549	1,100
Hatch Hall Hotel Limited	326,800	326,800
Skye Inn	179	-
Travcorp Geneva SA	348	1,648
	<b>45,486,852</b>	<b>41,179,561</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

**13. TRADE AND OTHER RECEIVABLES**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Trade debtors	261,229	-
Other receivables	45,312	65,657
Prepayments and accrued income	91,115	312,888
	<u>397,656</u>	<u>378,545</u>

**14. CASH AND CASH EQUIVALENTS**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	<u>1,742,450</u>	<u>3,480,686</u>

**15. AMOUNTS DUE TO RELATED PARTIES**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Due in less than one year</b>		
The Travel Corporation Limited – trading account	375,532	353,195
Chesterfield (Mayfair) Limited	3,642,639	5,929,756
Rubens Management Services Limited	8,400,501	10,461,249
Montague Management Services Limited	8,114,761	9,552,296
41 Buckingham Palace Road Limited	3,813,232	4,170,977
Egerton House Management Services Limited	1,036,796	1,844,278
Travcorp USA Inc	717,136	412,888
Trafalgar Retail Limited	431,603	345,527
Trafalgar Travcorp Management Services Limited	-	125,039
	<u>26,532,200</u>	<u>33,195,205</u>

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

**Due in greater than one year**

Travcorp Financial Services Limited	<u>12,408,775</u>	<u>4,052,941</u>
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The loan bears interest at 2% above the bank base rate (see note 20).

**16. TRADE AND OTHER PAYABLES**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Trade payables	2,628,142	1,932,621
Other creditors including taxes and social security	1,933,039	1,625,487
	<u>4,561,181</u>	<u>3,558,108</u>

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2020**

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<b>17. LEASE LIABILITIES</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Analysed as:</b>		
Current	322,635	290,716
Non-current	2,511,024	1,979,998
	<u>2,833,659</u>	<u>2,270,713</u>
 <i>Maturity Analysis</i>		
Within one year	322,635	290,716
Greater than two years	2,511,024	1,979,998
	<u>2,833,659</u>	<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.

**18. 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 £208,560 (2019: £186,890) in the period. There were no outstanding contributions at the year end (2019: £nil).

**19. 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.

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2020**

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**19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)*****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.

Contractual Cash Flows	Carrying amount £	Total cash flow £	6 months or less £	6 to 12 months £	1 to 2 years £	2 to 5 years £	More than 5 years £
Loan from group undertaking 2020	12,408,775	14,001,569	-	-	-	-	14,001,569
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.

***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.

## NOTES TO THE FINANCIAL STATEMENTS

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## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*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	2020		2019	
			Fair value	Carrying amount	Fair value	Carrying amount
Unsecured loans from group undertakings	2.50%	2027	14,001,569	10,618,627	3,581,924	2,345,142
Interest accruing on the above unsecured loans from group undertakings	0.00%	2027	-	1,790,148	-	1,707,799
			<u>14,001,569</u>	<u>12,408,775</u>	<u>3,581,924</u>	<u>4,052,941</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.

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**20. RELATED PARTY TRANSACTIONS**

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

		<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
Chesterfield (Mayfair) Limited	Management services	1,225,415	1,801,907
Montague Management Services Limited	Management services	1,098,679	1,614,966
Rubens Management Services Limited	Management services	1,942,440	2,643,416
Milestone Hotel Management Services Limited	Management services	713,771	1,051,576
41 Buckingham Palace Road Limited	Management services	258,005	388,284
bbar Restaurant Limited	Management services	226,876	315,380
Egerton House Management Limited	Management services	327,203	481,790
Hotel D'Angleterre SA	Management services	72,312	65,736
The Twelve Apostles Hotel (Proprietary) Limited	Management services	114,600	107,100
Summer Lodge Management Limited	Management services	412,928	451,653
Acorn Pub Management Limited	Management services	70,608	65,988
Oyster Box Hotel (Proprietary) Limited	Management services	114,600	107,100
OGH Management Services Limited	Management services	316,886	513,422
Chesterfield Palm Beach LLC	Management services	112,272	104,928
Duke of Richmond Limited	Management services	203,493	337,545
The Lodge at Ashford Castle Limited	Management services	176,067	246,493
Ashford Castle Hotel Limited	Management services	415,474	625,493
		<u>          </u>	<u>          </u>

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

		<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
Travcorp Financial Services Limited	Loan interest	82,349	45,430
No Limits Limited	Management charges	-	85,374
		<u>          </u>	<u>          </u>

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**20. RELATED PARTY TRANSACTIONS (continued)**

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Immediate parent company</b>		
Red Carnation Hotel Group Limited (previously Mountbatten Limited)	1,806,390	1,806,390
<b>Other group companies</b>		
Summer Lodge Management Limited	14,353,025	13,580,530
The Twelve Apostles Hotel (Proprietary) Limited	3,339,152	3,345,360
Chesterfield Associates	616,742	616,742
Hotel D'Angleterre SA	2,342,404	2,228,222
Xigera Lodge	1,174,397	1,178,355
Oyster Box Hotel (Proprietary) Limited	168,511	37,607
Milestone Hotel Management Services Limited	3,945,689	2,857,219
Chesterfield Palm Beach LLC	2,210,091	2,536,474
Time Out Holidays Limited	485,373	471,365
Egerton Travcorp Limited	670,406	659,774
White Cloud Ventures	39,999	36,999
Bushmans Kloof SA	330,689	306,196
OGH Management Services Limited	6,432,968	5,086,461
Mountbatten Resorts Indonesia Limited	-	-
Bbar Restaurant Limited	4,867,270	4,373,656
Global River Cruises Limited	170,773	117,729
Chesterfield Palm Beach Hotel Property Inc	64,940	64,940
Chesterfield Palm Beach	465,362	-
Trafalgar Asia	(1,884)	2,825
The Laggan Hotel Management Limited	432,067	719,142
Mountbatten Resorts (S) Pte Limited (Singapore)	18,884	18,884
41 Buckingham Palace Road Limited	17,066	17,066
Bouchard Finlayson Limited	130,170	130,170
Ashford Castle Hotel Limited	236,937	344,150
Travcorp Yacht Limited	4,390	4,390
Ashford Castle Travcorp Limited	14,292	11,292
The Lodge at Ashford Castle Travcorp	2,972	2,972
RCH Scotland Travcorp Limited	634,426	135,305
Princes Street Management Limited	(108,525)	159,798
Hatch Hall Travcorp	294,549	1,100
Hatch Hall Hotel	326,800	326,800
Skye Inn	179	-
Travcorp Geneva	348	1,648

**NOTES TO THE FINANCIAL STATEMENTS**

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**20. RELATED PARTY TRANSACTIONS (continued)**

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Travcorp Financial Services Limited	12,408,775	4,052,941
	<u>                    </u>	<u>                    </u>

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Ultimate parent company</b>		
The Travel Corporation Limited	375,532	353,195
<b>Other group companies</b>		
Chesterfield (Mayfair) Limited	3,642,639	5,929,756
Rubens Management Services Limited	8,400,501	10,461,249
Montague Management Services Limited	8,114,761	9,552,296
41 Buckingham Palace Road Limited	3,813,232	4,170,977
Egerton House Management Limited	1,036,796	1,844,278
Travcorp USA Inc	717,136	412,888
Trafalgar Retail Limited	431,603	345,527
Trafalgar Travcorp Management Services Limited	-	125,039
	<u>26,532,200</u>	<u>33,195,205</u>

**21. SHARE CAPITAL**

	<b>2020</b>		<b>2019</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	100
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Equity shares</b>				
Ordinary shares of £1 each	100	100	100	100
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2020**

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**22. EVENTS AFTER THE REPORTING DATE**

Since the year end, the company has continued to be faced by the challenges of Covid-19 which is impacting the business and trade in 2021, due to the government imposed restrictions on the industry enforced from the end of 2020 until May 2021. The company expects to see improved performance from May 2021 with gradual improvements throughout the rest of 2021. There were no events subsequent to the balance sheet date that require adjustment or further disclosure within the financial statements.

**23. 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.