

REGISTERED NUMBER: 03691485 (England and Wales)

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
NEPTUNE HOTELS LIMITED**



**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Page
Company Information	1
Strategic Report	2
Directors' Report	5
Directors' Responsibilities Statement	7
Report of the Independent Auditors	8
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14

NEPTUNE HOTELS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020**

DIRECTORS: Mr C Dexter
Mr D Hao
Mr X Zhao

SECRETARY: Mr X Zhao

REGISTERED OFFICE: 1 Towers Place
Eton Street
Richmond
Surrey
TW9 1EG

REGISTERED NUMBER: 03691485 (England and Wales)

INDEPENDENT AUDITORS: MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
2 London Wall Place
London
EC2Y 5AU

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

BUSINESS REVIEW

The company recorded an operating loss for the year of £440,872 (2019: £815,760 - profit), and loss after tax for the year of £398,025 (2019: £643,296 - profit), primarily due to the adverse effects of Covid-19 pandemic on the trading of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider the following to be the principal risks and uncertainties facing the Company and the wider group. The impact of Brexit and Covid-19 are disclosed separately on page 4.

Competition, trading and market factors

The COVID-19 pandemic is having a devastating effect on our industry. The almost complete cessation of travel has been particularly damaging. We reopened to the general trade in June 2020 and remained open for the remainder of the year, at reduced levels of occupancy. Corporate and international travel remained severely constrained, although we benefited from increased staycation during the summer months. Following the second and third wave of the pandemic, together with the enforced lockdowns, trading was severely impacted once again.

Competition in many instances closed which has benefited us in the short term as we committed to staying open, which underpins our high disruption Commercial Strategy for Q1 2021. STR published case studies have shown that hotels that remained open or opened earlier as part of lockdown outperformed the market by over 10%.

From 8 March 2021, restrictions are gradually being eased and the government's four-step roadmap offers a route back to a more normal lifestyle. The decision is based on four tests:

- 1) the vaccine deployment programme continues successfully.
- 2) evidence shows vaccines are sufficiently effective in reducing hospitalisations and deaths in those vaccinated.
- 3) infection rates do not risk a surge in hospitalisations which would put unsustainable pressure on the NHS
- 4) our assessment of the risks is not fundamentally changed by new Variants of Concern.

The local market is expected to return at reduced levels in the short to medium term and remains subject to renewed travel bans. Market pick-up remains short and this trend is forecasted to continue. International travel remains severely constrained in part due to Governments ongoing review of travel corridors, new COVID-19 variants and introduction of quarantine restrictions for travellers arriving from countries on the "red list". On this basis we have also assumed a continued level of disruption for the remainder of the 2021, with business and individuals continuing to remain financially distressed.

Investment and asset management

The Company participates in the group's centralized treasury arrangements and shares banking arrangements with members of the group headed by CTG Metropark Limited. Investment and expenditure is being closely controlled during this period and group funding and treasury arrangements are managed centrally.

Brand Equity and customer loyalty

Brand equity will continue to play a key part in our recovery as the brands invest in designing protocols and practices that become the 'new' brand standards in the Covid-19 environment. This in turn will drive customer confidence, trust and loyalty. The communication reach to drive this message will be far greater and will be underpinned with the brands global loyalty programs that will provide both rewards, health & safety information and good value price options as loyal travellers. These factors will be critical as we see a trend of global corporate accelerating their plans for 'home working' and reducing travel in the short term to medium term. However, the upside in demand is forecast will originate in sectors that work in domestic infrastructures. Staycations are proving to be ever increasing as international travel remains severely constrained.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Health, Safety and Security

With the ongoing COVID-19 pandemic, we continue to take the necessary preventative actions to ensure safety of our staff and customers. Lateral flow testing has been rolled out and all staff are encouraged to register and complete twice a week testing, particularly if required to travel for essential work purposes or are returning to work in one of our offices.

Revenue Channel Optimization

Bookings through OTAs (Online Travel Agents) are expected to grow as we gradually reopen our hotels and domestic travel returns. We expect the Global Distribution System (GDS) to see a reduction as large international corporations are likely to keep in place travel restrictions. Direct reservations will reduce due to a softening in group business, with leisure groups and coaches not able to run to normal capacity as well as key operators in the UK having now ceased trading. Transient voice and web are expected to be volatile but retaining a significant contribution.

FINANCIAL PERFORMANCE KEY INDICATORS

In order to deliver the Company's business objectives, the Company needs to deliver to three key stakeholder's groups:

- 1) People
- 2) Guests
- 3) Investors

The Company uses several measures to assess how well the Company is delivering to its stakeholders.

People:

Team Turn-over: This measures how many people leave the Company each year and is an indicator of engagement and job satisfaction. Motivated and committed staff are key to delivering good customer service. There is also a cost associated with recruiting and training staff.

Health and Safety: This measures how well the Company looks after its people and its guests. It is critical to the Company to provide safe working environments and safe hotels for its guests to stay in. This is measured by twice yearly Health and Safety audits by external independent experts.

Guest Measures:

Brand Standards: All of the Company's hotels are audited annually by its brand partners against set criteria to make sure they meet high standards and its customer expectations.

Guest Satisfaction: The Company actively seeks feedback from its guests so that it can act in their experiences to improve the services provided. Guests satisfaction is measured continually and analysed on a monthly basis.

Investor Measures:

Profit Growth: The Company measures its profit growth against last year focusing on Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA), and against its budgets and reports and analyses this every month. EBITDA for the current year amounted to loss of £132,779 (2019: £1,123,146 - profit).

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

IMPACT OF BREXIT:

On 31 January 2020, the UK government ratified the withdrawal agreement and the UK left the EU. After a transition period together including protracted negotiations, the withdrawal was finalised on 31 December 2020. The Company is exposed to the risk of adverse political or economic developments.

In terms of the Company's cost base, the largest impact is on our workforce which contains a diverse mix of nationalities. There are nearly 2.2 million EU workers living in the UK at the moment and most of them do not meet the current visa criteria for non-EU nationals applying to live and work in the UK. Changes to the UK immigration system means that as of January 31st 2021, any 'low-skilled', non-UK workers earning less than £20,480 won't be allowed to be employed in this country. This is a huge blow for the hospitality sector which relies on non-UK workers to fill entry-level jobs.

COVID-19:

The Company owns a hotel which continued to trade during the national lockdown which commenced across England on 5 November 2020. Whilst England has embarked on the world's first mass immunisation programme from January 2021, to protect against COVID-19, the ongoing pandemic is expected to continue. Despite the mitigating actions the Company and its Group are taking, the gradual release of lockdown measures may result in a continued reduction in revenue for the financial year ending 31 December 2021. Given this, the Company may not make any profit during that period with the possibility that it will be loss making.

ON BEHALF OF THE BOARD:



.....
Mr X Zhao - Director

Date: 28/05/2021.....

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report with the financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of operation of the Crown Plaza Liverpool John Lenon Airport Hotel, under the licence agreement with Intercontinental Hotel Group.

DIVIDENDS

The directors do not recommend payment of a dividend for the year (2019: £nil)

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

Mr C Dexter
Mr D Hao
Mr X Zhao

Other changes in directors holding office are as follows:

Mr J A Lamb - resigned 1 February 2020
Mr A E Pritchard - resigned 1 February 2020

GOING CONCERN

The directors have made an assessment in preparing these financial statements as to whether the Company is a going concern, and have concluded that there are no material uncertainties that may cast doubt on the Company's ability to continue as a going concern based upon the support of its ultimate holding company. See note 2.11.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk are not disclosed on the basis that they are not material to the Company.

POST BALANCE SHEET EVENTS

In light of the ongoing COVID-19 pandemic, the Company has continued to utilise the business support measures introduced by the Government and these are expected to continue to provide benefits during 2021. On 3 March, the Chancellor confirmed the Coronavirus Job Retention Scheme will now run until 30 September 2021. From 1 July 2021 the amount of support will reduce to coincide with the opening of the economy as lockdown measures are reduced. The 100% business rates relief was also extended for the period 1 April 2021 to 30 June 2021. From July 2021, business rates relief is capped at 66% until 31 March 2022.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

AUDITORS

The auditors, MHA MacIntyre Hudson, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
Mr X Zhao - Director

Date: 28/05/2021

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE 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.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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;
- 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NEPTUNE HOTELS LIMITED

Opinion

We have audited the financial statements of Neptune Hotels Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company'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 Auditors' report thereon. The directors are responsible for the other information. 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. 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NEPTUNE HOTELS LIMITED

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

We have nothing to report in respect of the following matters where 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 seven, 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 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NEPTUNE HOTELS LIMITED

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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.

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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Company operates in.
- Reviewing key correspondence with regulatory authorities.
- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing and reviewing among the engagement team regarding how and where fraud might occur.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a Report of the Auditors 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.

MHA MacIntyre Hudson

Yogan Patel, FCA (Senior Statutory Auditor)
for and on behalf of MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
2 London Wall Place
London
EC2Y 5AU

Date: **28 May 2021**

NEPTUNE HOTELS LIMITED (REGISTERED NUMBER: 03691485)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
TURNOVER		1,610,682	4,656,550
Cost of sales		<u>(1,182,150)</u>	<u>(1,954,344)</u>
GROSS PROFIT		428,532	2,702,206
Administrative expenses		<u>(1,110,123)</u>	<u>(1,886,446)</u>
		(681,591)	815,760
Other operating income	4	<u>240,719</u>	<u>-</u>
(LOSS)/PROFIT BEFORE TAXATION	6	(440,872)	815,760
Tax on (loss)/profit	7	<u>42,847</u>	<u>(172,464)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(398,025)	643,296
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(398,025)</u>	<u>643,296</u>

The notes on pages 14 to 24 form part of these financial statements

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible assets	9	7,197,258	7,413,905
CURRENT ASSETS			
Stocks	10	7,337	19,789
Debtors	11	80,181	155,824
Cash at bank		<u>18,430</u>	<u>39,064</u>
		105,948	214,677
CREDITORS			
Amounts falling due within one year	12	<u>(4,957,547)</u>	<u>(4,887,583)</u>
NET CURRENT LIABILITIES		<u>(4,851,599)</u>	<u>(4,672,906)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,345,659	2,740,999
PROVISIONS FOR LIABILITIES	13	<u>(2,685)</u>	-
NET ASSETS		<u>2,342,974</u>	<u>2,740,999</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Retained earnings	15	<u>2,342,874</u>	<u>2,740,899</u>
SHAREHOLDERS' FUNDS		<u>2,342,974</u>	<u>2,740,999</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28/05/2021 and were signed on its behalf by:



Mr X Zhao - Director

The notes on pages 14 to 24 form part of these financial statements

NEPTUNE HOTELS LIMITED (REGISTERED NUMBER: 03691485)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	100	2,097,603	2,097,703
Changes in equity			
Total comprehensive income	<u>-</u>	<u>643,296</u>	<u>643,296</u>
Balance at 31 December 2019	<u>100</u>	<u>2,740,899</u>	<u>2,740,999</u>
Changes in equity			
Total comprehensive income	<u>-</u>	<u>(398,025)</u>	<u>(398,025)</u>
Balance at 31 December 2020	<u><u>100</u></u>	<u><u>2,342,874</u></u>	<u><u>2,342,974</u></u>

The notes on pages 14 to 24 form part of these financial statements

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

1. General information

Neptune Hotels Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

2.1 Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with the Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£), rounded to the nearest pound.

The Company's parent undertaking, CTS Metropark Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of CTS Metropark Limited are available to the public and may be obtained from 1 Towers Place, Eton Street, Richmond, Surrey, TW9 1EG.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of paragraph 33.7.

2.2 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less cost to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets, the cost of replacing part of such item when that cost is incurred and if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is de-recognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies - continued

The estimated useful lives range as follows:

- Long Leasehold property - 50 years
- Fixture and fittings - 10 years

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposal are determined by comparing the proceeds with the carrying value amount and are recognised in the Statement of comprehensive income.

2.3 Government grants

Government grants are recognised in the Statement of Comprehensive Income so as to match them with expenditure they are intended to contribute.

2.4 Stocks

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

2.5 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and related party balances. Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small Company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for the objective evidence of impairment. If the objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying value and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies - continued

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.6 Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using effective interest method, less any impairment.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies - continued

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered fund..

2.11 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors Report page 5. At 31 December 2020 the Company had net assets of £2,342,974 and made a loss after tax of £398,025 for the year then ended.

The hotel has operated throughout the initial lockdown period of 23 March 2020 to 31 May 2020 providing accommodation for key workers, albeit at reduced levels of revenue. During the second and third waves lockdowns the hotel remained open. With easing of the current lockdown restrictions on the 12 April 2021, occupancy is forecast to increase however activity in the UK hotel sector is not expected to return to pre-Covid levels until 2023 or beyond.

The Company participates in centralised treasury arrangement with members of the group headed by CTG Metropark Limited ("UK parent Group"). These arrangements are limited to the pooling of cash in intermediate holding companies of the UK Parent Group. However, aspects of the Company and its cash flows are managed on a consolidated basis together with the other hotels in the UK Parent Group. Consequently, the ability of the Company to continue as a going concern is reliant on the continued financial support of CTG Metropark Limited and on the ability of the UK Parent Group to continue as a going concern.

The directors of the UK Parent Group intend to continue trading all hotels in the portfolio and have prepared a consolidated 3 year forecast for the UK Parent Group for the period to 31 December 2023. In preparing these forecasts they have considered the ongoing impact of Covid-19. Specifically, the directors of the UK Parent Group have considered a partial recovery in 2021, with a gradual uplift over the next 2 years, taking into consideration the following.

1) Isolated lockdowns to contain the spread of COVID-19 with a gradual recovery and release of restrictions starting from April 2021 and revenues increasing through to 72% and 86% of the normal levels through the remainder of 2022 and 2023 respectively;

2) Growth in ancillary revenues such as conferences or food and beverage (other than room service) are expected to remain subdued with a slower recovery,

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies - continued

3) Government support which was substantively enacted at the time of the first and current lockdown has been eliminated from the current forecasts, which are due to end in September 2021.

4) The directors placed a key focus on reducing operating costs and introducing various cost-cutting measures, such as Project Portland which involved the restructuring of the business, regrettably resulting in redundancies. The continual deferral of substantially all non-essential capital expenditure, which are within the director's control, have been introduced.

CTG Metropark Ltd is reliant on the continued financial support of its Ultimate Parent Company, China Tourism Group Corporation Limited ('Ultimate Parent Company') and therefore the ability of the Company to continue to meet its liabilities as they fall is also dependent on the continued financial support of the Ultimate Parent Company.

In May and June 2020, the UK Parent Group received £3.9m additional loan from its Immediate Parent Company (Long Lucky Limited), repayable on the 21 May 2021, and also signed a loan agreement for a further £20m with the Immediate Parent Company repayable on 30 June 2021, of which £6m was received in July 2020. No further drawdowns have been made against this facility to date. China Tourism Group Corporation Limited has indicated that it does not intend to seek repayment of the amounts due from CTG Metropark Limited at the balance sheet date and will continue to provide such financial support as the UK Parent Group requires. As a result, the directors of the UK Parent Group have concluded that the UK Parent Group can continue in operational existence and meets its liabilities as they fall due for at least the forecast period. The Company's main funding is through the inter-company loan from a fellow subsidiary Kew Green Group Limited. The directors of Kew Green Group Limited have indicated that Kew Green Group Limited will continue to support the Company for the foreseeable future.

CTG Metropark Limited has indicated that it does not intend to seek repayment of the amounts due from the Company at balance sheet date and will continue to provide such financial support as the Company requires.

As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least a period of 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.12 Revenue

Revenue, in respect of goods and services supplied, is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Hotel revenue, including rental of rooms and food and beverage sales, is recognised when rooms are occupied and food and beverage is sold.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies - continued

2.13 Hotel operating items

The hotel's initial operating items such as glass and china and certain other loose equipment of the hotel have been capitalised and are not depreciated. The cost of replacement of these items will be charged to profit and loss in the year in which it is incurred.

3. Critical accounting judgements and key sources of estimation uncertainty

The following are the key judgments that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

a) Estimated impairment of tangible fixed assets

The Company is required to review hotels and fixtures and fittings for impairment if events or changes in circumstance indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations or the fair value (market value), which are prepared on the basis of management's assumption and estimates. There were no triggers for impairment in the current year or prior year.

b) Depreciation

Depreciation is provided so as to write down assets to their residual values over their estimated useful lives. The selection of these residual values and estimated lives requires the exercise of management's judgement. There were no revisions to useful economic lives in the current or prior year.

c) Taxation

Tax benefits are not recognised unless it is probable that they will be obtained; tax provisions are made if it is probable that a liability will arise. The Company reviews each significant tax liability or benefit to assess the appropriate accounting treatment.

4. Other operating income

	2020	2019
	£	£
Government grants	<u>240,719</u>	<u>-</u>

Other operating income is wholly made up of monies received from the government as a grant under the furlough scheme.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Employees and directors

	2020	2019
	£	£
Wages and salaries	771,415	923,528
Social security costs	55,411	67,637
Pension costs	<u>12,327</u>	<u>12,966</u>
Total	<u>839,153</u>	<u>1,004,131</u>

Directors are remunerated through Kewgreen Group Ltd. Directors don't consider any other personnel as key management personnel other than directors themselves.

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

	2020	2019
Hotel employees	<u>43</u>	<u>62</u>

6. (Loss)/profit before taxation

The loss (2019 - profit) is stated after charging:

	2020	2019
	£	£
Depreciation - owned assets	308,093	307,386
Defined contribution pension cost	<u>12,327</u>	<u>12,966</u>

7. Taxation

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss for the year was as follows:

	2020	2019
	£	£
Current tax:		
UK corporation tax	(63,774)	94,428
Deferred tax	<u>20,927</u>	<u>78,036</u>
Tax on (loss)/profit	<u>(42,847)</u>	<u>172,464</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

7. Taxation - continued**Reconciliation of total tax (credit)/charge included in profit and loss**

The tax assessed for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
(Loss)/profit before tax	<u>(440,872)</u>	<u>815,760</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(83,766)	154,994
Effects of:		
Fixed asset differences	20,180	-
Losses carried back / (brought back)	87,000	-
Transfer pricing adjustments	(44,337)	(42,309)
Group relief surrendered/(claimed)	44,337	(9,128)
Adjustment in respect of prior periods (current & inter-co)	(63,774)	-
Adjustments in respect of prior periods (deferred tax)	(306)	52,159
Remeasurement of deferred tax for changes in tax rates	(2,181)	(3,044)
Depreciation charged on assets not qualifying for capital allowances	<u>-</u>	<u>19,792</u>
Total tax (credit)/charge	<u>(42,847)</u>	<u>172,464</u>

8. Auditor's remuneration

	2020 £	2019 £
Fees payable to Company's auditor for the audit of the Company's annual financial statements	<u>6500</u>	<u>8250</u>
Fees payable to Company's auditor in respect of:		
Taxation compliance services	<u>1800</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

9. Tangible fixed assets

	Long leasehold property £	Fixtures and fittings £	Totals £
COST			
At 1 January 2020	7,249,276	2,295,717	9,544,993
Additions	<u>-</u>	<u>91,446</u>	<u>91,446</u>
At 31 December 2020	<u>7,249,276</u>	<u>2,387,163</u>	<u>9,636,439</u>
DEPRECIATION			
At 1 January 2020	1,254,425	876,663	2,131,088
Charge for year	<u>106,428</u>	<u>201,665</u>	<u>308,093</u>
At 31 December 2020	<u>1,360,853</u>	<u>1,078,328</u>	<u>2,439,181</u>
NET BOOK VALUE			
At 31 December 2020	<u>5,888,423</u>	<u>1,308,835</u>	<u>7,197,258</u>
At 31 December 2019	<u>5,994,851</u>	<u>1,419,054</u>	<u>7,413,905</u>

Included in cost of long leasehold property is freehold land of £2,460,000 (2019 - £2,460,000) which is not depreciated.

10. Stocks

	2020 £	2019 £
Stocks	<u>7,337</u>	<u>19,789</u>

11. Debtors: amounts falling due within one year

	2020 £	2019 £
Trade debtors	-	74,654
Other debtors	512	-
Corporation Tax	63,774	-
Deferred tax asset	-	18,242
Prepayments and accrued income	<u>15,895</u>	<u>62,928</u>
	<u>80,181</u>	<u>155,824</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	57,041	191,223
Amounts owed to group undertakings	4,574,034	4,173,924
Corporation Tax	-	94,428
Social security and other taxes	99,708	57,831
Other creditors	95,731	62,879
Accruals and deferred income	131,033	307,298
	<u>4,957,547</u>	<u>4,887,583</u>

13. Provisions for liabilities

	2020	
	£	
Deferred tax	<u>2,685</u>	
		Deferred tax
		£
Balance at 1 January 2020		(18,242)
Charge to Statement of Comprehensive Income during year		<u>20,927</u>
Balance at 31 December 2020		<u>2,685</u>

The provision for deferred taxation is made up as follows:

	2020	2019
	£	£
Accelerated capital allowances	3,160	(18,023)
Short term timing differences	<u>(475)</u>	<u>(219)</u>
	<u>2,685</u>	<u>(18,242)</u>

14. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020	2019
			£	£
80	Ordinary A	£1	80	80
20	Ordinary B	£1	<u>20</u>	<u>20</u>
			<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

15. Reserves

	Retained earnings £
At 1 January 2020	2,740,899
Deficit for the year	<u>(398,025)</u>
At 31 December 2020	<u>2,342,874</u>

16. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £12,327 (2019: £12,966). Contributions totalling £2,102 (2019: £2,690) were payable to the fund at the reporting date and are included in creditors.

17. Related party disclosures

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 section 33 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

18. Controlling party

The Company's immediate parent is Kew Green Group Ltd. The Company's ultimate UK parent undertaking is CTG Metropark Limited. The Company's ultimate parent undertaking is China Tourism Group Corporation Limited.

The largest group in which the results of the Company are consolidated is that headed by China Tourism Group Corporation Limited, CTG House, 78-83 Connaught Road, Central, Hong Kong. The smallest group in which they are consolidated is that headed by CTG Metropark Limited, 1 Towers Place, Eton Street, Richmond, Surrey, TW9 1EG.