Registered number: 05308137

NOVOTEL HOTEL EDINBURGH LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY INFORMATION

Directors	A S B Neubert E M G B De La Ronciere M Van Der Graaf (appointed 26 April 2021) O M P Daguzan (resigned 26 April 2021)
Company secretary	C M M Verstraete (resigned 26 April 2021)
Registered number	05308137
Registered office	10 Hammersmith Grove London W6 7AP
Independent auditor	Deloitte LLP Statutory Auditor London EC4A 3BZ
Bankers	HSBC Bank plc PO Box 61004 2nd Floor London SE1 9RX

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the audited financial statements and auditor's report for the year ended 31 December 2020.

This report is prepared in accordance with the special provisions relating to small companies under s415(a) of the Companies Act 2006. As Novotel Hotel Edinburgh Limited is entitled to the small companies exemption, no strategic report has been prepared.

Principal activity and future developments

The company's principal activity is that of hotel leasing in the United Kingdom and leasing the hotel to a fellow group company. The company expects to continue this trade for the foreseeable future.

Results and dividends

The loss for the year, after taxation, amounted to £4,935 (2019: £3,417).
During the year, no dividends were paid (2019: £nil) and the directors do not propose the payment of a final dividend. Due to Covid-19, it was agreed the deferral of the rent payments until a future period.

Environmental matters

The AccorInvest Group is both owner and operator of a property portfolio of owned and leased hotels. The Group invests to consolidate its property portfolio through hotel renovations and new hotel developments on economy and midscale segments. Novotel Hotel Edinburgh Limited is part of the AccorInvest Group. The AccorInvest Group in the UK recognise that its activities impact upon the environment through its routine operations, its infrastructural development, and through its influence and effects on the wider community. The Group acknowledges a responsibility for, and a commitment to, protection of the environment at all levels. AccorInvest will comply fully with environmental legislation and is committed to promoting environmental management policies and practices such as ISO 14001 and 'Green Globe', a benchmarking and certification scheme dedicated to all sectors of the tourism industry. AccorInvest aims to increase the awareness of environmental responsibilities among staff and guests through its environment charter, by incorporating long term strategies for energy efficiency into the planning and development of hotels, by promoting a purchasing policy which will give preference, as far as practicable, to those products and services which cause the least harm to the environment and by working with local communities and agencies as appropriate to promote environmental policies.

Going concern

In 2020, the COVID-19 crisis has had a significant impact on the tourism and lodging industry. Measures implemented by governments to control the pandemic such as stay at home orders, travel restrictions, and regulations on types of businesses allowed to operate, have resulted in a significant decline in tourism and demand for lodging. In light of this, the group financial statements disclosed that there was a material uncertainty related to going concern. The company's financial position is dependent on that of the Group, and thus the company's ability to continue as a going concern is dependent on the Group's ability to continue as a going concern.

DIRECTORS' REPORT (CONTINUED)

Going concern (continued)

In response to the crisis, Management of the parent, AccorInvest Group SA, implemented measures to protect the Group's liquidity and reduce operating losses. Hotels were closed when it was determined that the cash needs of the hotel were lower when the hotel was closed rather than open. Staff were placed on short time work in those countries in which governments offered this as a form of aid. The Group took advantage of tax relief and deferral of tax payments granted by some countries. The Group's development and other major capex projects were put on hold when possible. The Group's Asset Management teams actively worked to reduce rental costs by renegotiating leases for either additional free rent periods, deferral of rent payments until a future period, or renegotiation of the calculation of payment amounts for variable rents. The Group successfully negotiated deferred payment terms with a major supplier. In addition to that, the Group secured the sale of its African and Australian portfolios.

Strict lockdown measures were lifted late in the first semester of 2020 across most of the geographic areas in which AccorInvest operates. However, the tourism and lodging industry continued to face significant challenges as government restrictions on travel and tourism were maintained in response to the ongoing pandemic through the remainder of the year.

In the second half of 2020, the Group launched a major transformation project to strategically change the internal organization in hotels and in offices in order to sustainably reduce operating costs. This project is long term and the full benefit of the project is expected over the next three years.

Group Management actively monitors the cashflow forecast and expert opinions on the recovery in the industry. Despite the measures implemented to protect liquidity, as the pandemic continued into the second half of 2020, and the ultimate recovery remains uncertain, Group Management determined it would be necessary to obtain additional financing arrangements as well as renegotiate the existing Facilities Agreement in order to meet its liquidity requirements and ensure compliance with its debt covenants. The Parent Company launched the process to obtain a loan guaranteed by the French government (PGE), to increase shareholders' contribution in the capital of the Parent Company, and to negotiate an amendment with its creditors to extend the existing Facilities Agreement and amend its debt covenants. These elements were completed in Q1 2021, subsequent to December 31, 2020 but prior to the approval of the Group financial statements by the board. Group Management continues to monitor the future cashflow forecast, and with the additional financing obtained in Q1 2021, Group management has determined that the Group will have sufficient liquidity for a period of at least 12 months following the authorization of the Group financial statements as well as for 12 months from the signing of this set of financial statements. In addition, with the amendment and extension of the Facilities agreement which granted a covenant holiday or reset for existing covenants, Group Management expects that the Group will comply with all of its debt requirements for the 12 months from the signing of the Group financial statements as well as 12 months from the signing of this set of financial statements. However, the analysis performed is based on events and conditions which remain materially uncertain. The recovery may be slower over the next twelve months than currently predicted due to new variants of the virus and slower than expected rollout of vaccines. Accordingly, as stated above, there remains a material uncertainty in respect of the Group's ability to continue as a going concern.

The company has received a commitment of financial support for at least the next 12 months from its immediate parent Accor HotelInvest UK Limited, which in turn received the same from its ultimate parent, AccorInvest Group S.A. The directors have determined, having made enquiries of group management and considered the matters discussed above, that it is appropriate to prepare the accounts on the going concern basis. However, because the company's financial position is

DIRECTORS' REPORT (CONTINUED)

Going concern (continued)

dependent on that of the Group, the matters discussed above constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Post balance sheet events

In Q1 2021, AccorInvest Group S.A. amended its Senior Facilities Agreement under which it had borrowed €4.5 billion at that time. As part of this amended agreement, AccorInvest Group S.A. has pledged as security its shares in Accor HotelInvest UK which provided as security its shares in Accor UK Business & Leisure Hotels Limited and Accor UK Economy Hotels Limited. Accor UK Business & Leisure Hotels Limited provided as security the shares of AI Blackfriars Limited, B&L Accor 4 Limited, IBIS Styles Southwark Hotel Limited and B&L Accor 6 Limited. In addition, the following entities have provided a specific guarantee for the benefit of the lenders: Accor UK Business & Leisure Hotels Limited, Accor UK Economy Hotels Limited, AI Blackfriars Limited, B&L Accor 4 Limited, IBIS Styles Southwark Hotel Limited and B&L Accor 6 Limited. Finally, AccorInvest Group also pledged as security its intragroup loan granted to Accor HotelInvest UK.

Subsequent to December 31, 2020, England went into lockdown on Tuesday, January 5. Following the new restrictions, all non-essential retail, hospitality and personal care services had to close if not already. However, hotels could remain open to provide accommodation for permanent residents, key workers and/or the homeless. The hotel reopened on the 16th April 2021.

Directors

The directors who served during the year and up to the date of signing this report were:

A S B Neubert
E M G B De La Ronciere
M Van Der Graaf (appointed 26 April 2021)

O M P Daguzan (resigned 26 April 2021)

No directors' indemnities were paid during the year.

Financial risk management

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. These risks are mitigated by the company's activities being based fully in the UK, transactions being primarily with fellow group companies and with limited exposure to trade receivables or foreign currencies. The company is funded via short term intercompany sterling loans and group overdraft facilities. The company does not use derivative financial instruments.

The directors do not consider that Brexit would threaten the long-term viability of the business.

DIRECTORS' REPORT (CONTINUED)

Auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the board on 14 July 2021 and signed on its behalf.

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A S B Neubert
Director
10 Hammersmith Grove
London
W6 7AP

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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; 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 NOVOTEL HOTEL EDINBURGH LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Novotel Hotel Edinburgh Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 of December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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.

Material uncertainty related to going concern
We draw attention to note 1.5, which indicates that the company's financial position is dependent on that of the AccorInvest Group SA group and that AccorInvest Group SA management have concluded that there is material uncertainty over whether the AccorInvest Group SA group will be able to continue as a going concern. This is due to the increased uncertainties in the tourism and lodging industry as a result of Covid-19. As stated in note 1.5, these events or conditions, along with the other matters as set forth in note 1.5, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NOVOTEL HOTEL EDINBURGH LIMITED

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NOVOTEL HOTEL EDINBURGH LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud
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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the UK Companies Act and tax legislation; and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

- reading minutes of meetings of those charged with governance.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NOVOTEL HOTEL EDINBURGH LIMITED

Report on other legal and regulatory requirements
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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to not prepare a strategic report.

We have nothing to report in respect of these matters.

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

Tim Steel

Timothy Steel (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 14 July 2021

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Administrative expenses		**(9,751)**	(9,751)
Operating loss		**(9,751)**	(9,751)
Interest receivable and similar income	5	**486,174**	520,257
Interest payable and similar expenses	6	**(481,358)**	(514,725)
Loss before taxation		**(4,935)**	(4,219)
Tax credit on loss	7	**-**	802
Loss for the year		**(4,935)**	(3,417)

The results relate to continuing activities.

There are no items of other comprehensive income in either year. Therefore, no separate Statement of Comprehensive Income has been presented.

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	2020	2019
		£	£
Non-current assets			
Debtors - amounts falling due after more than one year	8	**10,889,454**	11,475,427
Current assets			
Debtors - Amounts due within one year	8	**1,968,729**	1,110,754
Creditors - Amounts due within one year	9	**(1,971,049)**	(1,108,140)
Net current (liabilities)/assets		**(2,320)**	2,614
Total assets less current liabilities		**10,887,134**	11,478,041
Creditors - Amounts falling due after more than one year	9	**(10,889,454)**	(11,475,427)
Net (liabilities)/assets		**(2,320)**	2,614
Capital and reserves			
Called up share capital	10	**1**	1
Profit and loss account	11	**(2,321)**	2,613
		(2,320)	2,614

The financial statements of Novotel Hotel Edinburgh Limited, register number 05308137, were approved and authorised for issue by the board on 14 July 2021 and were signed on its behalf by:

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A S B NEUBERT
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £	Retained earnings £	Total equity £
At 1 January 2020	1	2,613	2,614
Comprehensive loss for the year			
Loss for the year	-	(4,935)	(4,935)
Total comprehensive loss for the year	-	(4,935)	(4,935)
At 31 December 2020	1	(2,321)	(2,320)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Retained earnings £	Total equity £
At 1 January 2019	1	6,030	6,031
Comprehensive loss for the year			
Loss for the year	-	(3,417)	(3,417)
Total comprehensive loss for the year	-	(3,417)	(3,417)
At 31 December 2019	1	2,613	2,614

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies

1.1 Basis of preparation of financial statements

Novotel Hotel Edinburgh Limited is a company incorporated in the United Kingdom under the Companies Act 2006.

The company is a private company limited by shares and is registered in England. The address of the company's registered office is shown on the company information page.

The nature of the company's operations and its principal activities are set out in the directors' report on pages 3 to 5.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.
These financial statements are separate financial statements. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standards 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to certain revenue requirements of IFRS 15, business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the group accounts of AccorInvest Group SA. The group accounts of AccorInvest Group SA can be obtained as set out in note 13. The registered office address of the parent company preparing consolidated accounts is 26a Boulevard Royal, 2449 Luxembourg, Luxembourg. The accounts are prepared on the going concern basis and under the historical cost basis.

1.2 IFRS 16 lease

Adoption of Amendment to IFRS 16 "Leases"

In May 2020, the IASB published an amendment to IFRS 16 "Leases" to provide a framework for the accounting of COVID-19 related rent concessions. The amendment allows lessees to elect to recognize adjustments to rents initially due until the end of June 2021 as negative variable rents (i.e. immediately in profit and loss) as a consequence of the health crisis, without needing to analyze whether they have been granted in application of the contractual or legal clauses governing the execution of the contract.

This simplification measure can only be adopted if:

- a written agreement is reached between the parties before December 31, 2020,

- no other substantial changes are made to the contract, and

- the overall compensation (total consideration paid) of the contract is at best equivalent to or lower than the consideration originally expected.

Application of this amended standard is mandatory for the first time for the financial period beginning on June 1, 2020. The Group has adopted this amendment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.3 Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.
The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.
Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.3 Leases (continued)

terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.
Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet.
The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the operating lease rentals in note 4.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company as lessor
Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.
When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.
When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.4 Going concern

In 2020, the COVID-19 crisis has had a significant impact on the tourism and lodging industry. Measures implemented by governments to control the pandemic such as stay at home orders, travel restrictions, and regulations on types of businesses allowed to operate, have resulted in a significant decline in tourism and demand for lodging. In light of this, the group financial statements disclosed that there was a material uncertainty related to going concern. The company's financial position is dependent on that of the Group, and thus the company's ability to continue as a going concern is dependent on the Group's ability to continue as a going concern.

In response to the crisis, Management of the parent, AccorInvest Group SA, implemented measures to protect the Group's liquidity and reduce operating losses. Hotels were closed when it was determined that the cash needs of the hotel were lower when the hotel was closed rather than open. Staff were placed on short time work in those countries in which governments offered this as a form of aid. The Group took advantage of tax relief and deferral of tax payments granted by some countries. The Group's development and other major capex projects were put on hold when possible. The

Group's Asset Management teams actively worked to reduce rental costs by renegotiating leases for either additional free rent periods, deferral of rent payments until a future period, or renegotiation of the calculation of payment amounts for variable rents. The Group successfully negotiated deferred payment terms with a major supplier. In addition to that, the Group secured the sale of its African and Australian portfolios.

Strict lockdown measures were lifted late in the first semester of 2020 across most of the geographic areas in which AccorInvest operates. However, the tourism and lodging industry continued to face significant challenges as government restrictions on travel and tourism were maintained in response to the ongoing pandemic through the remainder of the year.

In the second half of 2020, the Group launched a major transformation project to strategically change the internal organization in hotels and in offices in order to sustainably reduce operating costs. This project is long term and the full benefit of the project is expected over the next three years.

Group Management actively monitors the cashflow forecast and expert opinions on the recovery in the industry. Despite the measures implemented to protect liquidity, as the pandemic continued into the second half of 2020, and the ultimate recovery remains uncertain, Group Management determined it would be necessary to obtain additional financing arrangements as well as renegotiate the existing Facilities Agreement in order to meet its liquidity requirements and ensure compliance with its debt covenants. The Parent Company launched the process to obtain a loan guaranteed by the French government (PGE), to increase shareholders' contribution in the capital of the Parent Company, and to negotiate an amendment with its creditors to extend the existing Facilities Agreement and amend its debt covenants. These elements were completed in Q1 2021, subsequent to December 31, 2020 but prior to the approval of the Group financial statements by the board. Group Management continues to monitor the future cashflow forecast, and with the additional financing obtained in Q1 2021, Group management has determined that the Group will have sufficient liquidity for a period of at least 12 months following the authorization of the Group financial statements as well as for 12 months from the signing of this set of financial statements. In addition, with the amendment and extension of the Facilities agreement which granted a covenant holiday or reset for existing covenants, Group Management expects that the Group will comply with all of its debt requirements for the 12 months from the signing of the Group financial statements as well as 12 months from the signing of this set of financial statements. However, the analysis performed is based on events and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.4 Going concern (continued)

conditions which remain materially uncertain. The recovery may be slower over the next twelve months than currently predicted due to new variants of the virus and slower than expected rollout of vaccines. Accordingly, as stated above, there remains a material uncertainty in respect of the Group's ability to continue as a going concern.

The company has received a commitment of financial support for at least the next 12 months from its immediate parent Accor HotelInvest UK Limited, which in turn received the same from its ultimate parent, AccorInvest Group S.A. The directors have determined, having made enquiries of group management and considered the matters discussed above, that it is appropriate to prepare the accounts on the going concern basis. However, because the company's financial position is dependent on that of the Group, the matters discussed above constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

1.5 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 the effective interest method, less any impairment. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor.

1.6 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.7 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

1.8 Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

1.9 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make a number of judgements and estimates.

The directors do not believe there are any critical judgements or estimation uncertainties that have a significant risk of causing a material adjustment within the next financial year.

3. Auditor's remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements:

	2020	2019
	£	£
Auditor's remuneration	**(3,750)**	(3,750)
	(3,750)	(3,750)

4. Employees

The company has no employees other than the directors, who did not receive any remuneration (2019: £nil). The directors are also the directors of other subsidiary undertakings within the Group and their remuneration for the year was paid by other undertakings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Interest receivable and similar income

	2020	2019
	£	£
Interest receivable:		
Interest receivable from group companies	-	552
Interest on lease receivable	**486,174**	519,705
Total interest receivable	**486,174**	520,257

6. Interest payable and similar expenses

	2020	2019
	£	£
Interest payable to group companies	**(184)**	(20)
Interest on lease liabilities	**(481,174)**	(514,705)
	(481,358)	(514,725)

7. Taxation

	2020	2019
	£	£
Corporation tax		
Current tax on losses for the year	-	802
Total current tax credit	-	802
Tax credit on loss	-	802

Factors affecting tax charge for the year

The tax assessed for the year can be reconciled to the standard rate of corporation tax in the UK of 19% (2019: 19%) as follows:

	2020	2019
	£	£
Loss on ordinary activities before tax	**(4,935)**	(4,219)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	**938**	802
Group relief (surrendered)/claimed	**(938)**	-
Total tax credit for the year	-	802

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Taxation (continued)

Factors that may affect future tax charges

In 2015, the government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. In the Finance Bill 2016 the Chancellor of the Exchequer announced an additional 1% reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020. At Budget 2021, the government announced that the Corporation Tax main rate will remain at 19% for the years starting 1 April 2020 and 2021 and increase to 25% in April 2023. At 31 December 2020, deferred tax assets and liabilities have been provided for at 19 %; and will be reversed and booked at the rate announced in the 2021 Budget for the year ending 31 December 2021.

8. Debtors

	2020	2019
	£	£
Amount falling due after more than one year		
Lease receivable	**10,889,454**	11,475,427
	10,889,454	11,475,427

	2020	2019
	£	£
Amount falling due within one year		
Lease receivable	**1,936,633**	1,085,699
Amounts owed by parent company	**385**	30
Other debtors	**21,823**	21,823
Prepayments and accrued income	**2,917**	-
Other taxation and social security	**6,971**	2,400
Corporation tax	**-**	802
	1,968,729	1,110,754

The amounts owed by group undertakings include routine transactions settled with subsidiary companies or companies that are part of the same group. These amounts are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Debtors (continued)

Analysis of lease receivable

The amounts presented for 2020 relate to the maturity of lease receivables under IFRS 16.

	2020	2019
	£	£
Amounts receivable under finance leases:		
Year 1	**1,580,380**	1,559,154
Year 2	**1,580,380**	1,559,154
Year 3	**1,580,380**	1,559,154
Year 4	**1,580,380**	1,559,154
Year 5	**1,580,380**	1,559,154
Onwards	**6,274,282**	7,749,163
Undiscounted lease payments	**14,176,182**	15,544,930
Less: unearned finance income	**(1,350,095)**	(2,983,804)
Discounted lease receivable	**12,826,087**	12,561,126
Analysed as:		
Non-current	**10,889,454**	11,475,427
Current	**1,936,633**	1,085,699
	12,826,087	12,561,126

9. Creditors

	2020	2019
	£	£
Amount falling due after more than one year		
Lease liabilities	**(10,889,454)**	(11,475,427)
	(10,889,454)	(11,475,427)

	2020	2019
Amount falling due within one year	**£**	£
Lease liabilities	**(1,936,633)**	(1,085,699)
Bank loans and overdrafts	**(30,647)**	(3,041)
Amounts owed to group undertakings	**(19)**	(8,261)
Accruals and deferred income	**(3,750)**	(11,139)
	(1,971,049)	(1,108,140)

The amounts owed to group undertakings include routine transactions settled with subsidiary companies or companies that are part of the same group. These amounts are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Creditors (continued)

Analysis of lease liabilities

The amounts presented for 2020 relate to the maturity of lease liabilities under IFRS 16.

	2020	2019
	£	£
Maturity analysis:		
Year 1	**1,580,380**	1,559,154
Year 2	**1,580,380**	1,559,154
Year 3	**1,580,380**	1,559,154
Year 4	**1,580,380**	1,559,154
Year 5	**1,580,380**	1,559,154
Onwards	**6,274,282**	7,749,163
	14,176,182	15,544,930
Less: unearned interest	**(1,350,095)**	(2,983,804)
Discounted lease liability	**12,826,087**	12,561,126
Analysed as:		
Non-current	**10,889,454**	11,475,427
Current	**1,936,633**	1,085,699
	12,826,087	12,561,126

10. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid 1 Ordinary share of £1	**1**	1
	1	**1**

11. Reserves

Profit and loss account

There has been no movement in reserves other than the loss for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Related party transactions

In accordance with FRS 101.8(k) "Related Party Disclosures" transactions with other undertakings within the AccorInvest Group SA have not been disclosed in these financial statements. There were no other transactions or balances with related parties which require disclosure in these financial statements.

13. Controlling party

At 31 December 2020, the ultimate parent company and controlling party is AccorInvest Group SA, registered in Luxembourg, 26a Boulevard Royal, 2449 Luxembourg, Luxembourg.

The immediate parent company is Accor UK Business and Leisure Hotels Limited, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is AccorInvest Group SA. The consolidated financial statements are available from www.lbr.lu website.

14. Subsequent events

In Q1 2021, AccorInvest Group S.A. amended its Senior Facilities Agreement under which it had borrowed €4.5 billion at that time. As part of this amended agreement, AccorInvest Group S.A. has pledged as security its shares in Accor HotelInvest UK which provided as security its shares in Accor UK Business & Leisure Hotels Limited and Accor UK Economy Hotels Limited. Accor UK Business & Leisure Hotels Limited provided as security the shares of AI Blackfriars Limited, B&L Accor 4 Limited, IBIS Styles Southwark Hotel Limited and B&L Accor 6 Limited. In addition, the following entities have provided a specific guarantee for the benefit of the lenders: Accor UK Business & Leisure Hotels Limited, Accor UK Economy Hotels Limited, AI Blackfriars Limited, B&L Accor 4 Limited, IBIS Styles Southwark Hotel Limited and B&L Accor 6 Limited. Finally, AccorInvest Group also pledged as security its intragroup loan granted to Accor HotelInvest UK.

Subsequent to December 31, 2020, England went into lockdown on Tuesday, January 5. Following the new restrictions, all non-essential retail, hospitality and personal care services had to close if not already. However, hotels could remain open to provide accommodation for permanent residents, key workers and/or the homeless. The hotel reopened on the 16th April 2021.