

Registered number: 07992488

QBIC HOTELS LIMITED

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

THURSDAY



AAA8H64W

A12

05/08/2021

#307

COMPANIES HOUSE

QBIC HOTELS LIMITED

COMPANY INFORMATION

Directors	Raoul Hofland Gerardus Schipper
Company secretary	Paul Lewis
Registered number	07992488
Registered office	5 Churchill Place London E14 5HU
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

QBIC HOTELS LIMITED

CONTENTS

	Page
Strategic Report	1
Directors' Report	2 - 3
Independent Auditors' Report	4 - 6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Analysis of Net Debt	11
Notes to the Financial Statements	12 - 24

QBIC HOTELS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The 2020 statements represent the seventh full year of trading for the Qbic London City Hotel.

Business review

The principal activity of the Company is that of a hotel including meeting and events facilities, and a full service bar and restaurant.

In light of the Covid-19 pandemic and resulting strain on the hospitality market since March 2020, Qbic London City Hotel has not been able to produce cash flows sufficient to satisfy obligations towards its landlord and its senior lender. In order to best protect interests of all the stakeholders, on 18 June 2021 the Directors signed an agreement to surrender the lease on the hotel in exchange for a premium sufficient to enable full repayment of amounts owed to the Company's senior lender. Employees of Qbic London City Hotel have been offered an option to TUPE over to the next tenant, who will continue to operate a hotel under a different brand.

Turnover for the period was £1,707,693 (2019: £7,222,190). The reduction reflects the impact of Covid-19 pandemic on leisure and corporate travel which has been significantly reduced from March 2020 and affected hotel occupancy as well as room rates.

The pre-tax loss for the year of £3,770,745 (2019: £136,256) deteriorated on the prior year as a result of the reduced turnover and in spite of cost reduction efforts, including redundancies between March 2020 and December 2020. Readers of the financial statements should keep in mind that expenditure includes costs relating to management fees, loan arrangement fees and accrued interest on loans.

EBITDA (Earnings before interest, tax, depreciation and amortisation) is seen as a key performance indicator of the business and is shown as a memo on the face of the Statement of Comprehensive Income. EBITDA for the period was £(2,310,096) (2019: £1,304,779), the decrease being the result of significantly lower revenues and operating margins impacted by fixed costs of a hotel operating significantly below its capacity, as well as an impairment of fixed assets of £620,546 during the year.

Principal risks and uncertainties

Under the agreement to surrender the lease on the hotel signed on 18 June 2021 the property is going to be handed over to the landlord on 6 August 2021 and the Company will be liquidated soon after. As such there is limited risk or uncertainty with regards to Qbic London City Hotel.

Key performance indicators

Management routinely monitor a number of key performance indicators, which for 2020 includes occupancy levels of 28% (2019: 92%), EBITDA of £(2,310,096) (2019: £1,304,779) and gross operating profit margin of negative (4)% (2019: 47%). These, along with other operating ratios form part of the monthly management information provided to the Board. There is also a focus on customer sentiment via the monitoring of reviews and customer feedback questionnaires.

As a result of the Covid-19 pandemic a detailed cash flow forecast is monitored on at least a monthly basis.

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


Gerardus Schipper
Director

Date: 26 July 2021

QBIC HOTELS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Results and dividends

The loss for the year, after taxation, amounted to £3,717,676 (2019 - loss £837,523).

The Directors do not propose the payment of a dividend for the year ended 31 December 2020 (2019: £NIL)

Directors

The Directors who served during the year were:

Raoul Hofland
Gerardus Schipper
Julie Fawcett (resigned 5 November 2020)
Paul Lewis (resigned 31 March 2021)

Future developments

Under the agreement to surrender the lease on the hotel signed on 18 June 2021 the property is going to be handed over to the landlord on 6 August 2021 and the Company will be liquidated soon after.

Going concern

As a result of the decision of the Board to surrender the lease to the landlord, effective 6 August 2021, and liquidate the Company subsequently the financial statements are not prepared on a going concern basis.

This has resulted in the write down in value of a number of tangible fixed assets to their recoverable amount.

The Landlord will forego the rent arrears as part of the surrender arrangement. The directors have reviewed the forecasted costs to enable the winding up of the Company and expect that all liabilities will be repaid.

QBIC HOTELS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disclosure of information to auditors

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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 auditors are aware of that information.

Post balance sheet events

As explained in the Strategic Report, Qbic London City Hotel is in the process of surrendering the lease in exchange for a premium which allows for full repayment of obligations towards the Company's senior lender. Employees of Qbic London City Hotel have been offered the option to TUPE over to the next tenant who will continue to operate a hotel under a different brand. The Company will be liquidated once the lease surrender is completed on 6 August 2021.

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


Gerardus Schipper
Director

Date: 26 July 2021

QBIC HOTELS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBIC HOTELS LIMITED

Opinion

We have audited the financial statements of Qbic Hotels Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - financial statements prepared on a basis other than going concern

As explained in Note 2.2 of the financial statements, following the decision by the directors to wind down the Company it is no longer considered to be a going concern. Accordingly, and as required by the applicable financial reporting framework, the financial statements have been prepared on a basis other than as a going concern as described in Note 2.2. As a result of ceasing to apply the going concern basis material adjustments arose to write down assets to their recoverable amount. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBIC HOTELS LIMITED (CONTINUED)

Opinion 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 2, 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.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBIC HOTELS LIMITED (CONTINUED)

Explanation as to what extent 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 evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations, such as food hygiene and alcohol licensing, and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Andrew Ball

Andrew Ball (Senior Statutory Auditor)

for and on behalf of
Haysmacintyre LLP

Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

Date: 26 July 2021

QBIC HOTELS LIMITED

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

	Note	2020 £	2019 £
Turnover		1,707,693	7,222,190
Cost of sales		(110,047)	(355,780)
Gross profit		1,597,646	6,866,410
Administrative expenses		(5,044,913)	(6,290,835)
Other operating income	5	410,766	-
Operating profit		(3,036,501)	575,575
Interest receivable and similar income		-	-
Interest payable and expenses	9	(734,244)	(711,831)
Loss before tax		(3,770,745)	(136,256)
Tax on loss	10	53,069	(701,267)
Loss after tax		<u>(3,717,676)</u>	<u>(837,523)</u>

There was no other comprehensive income in 2020 (2019: £NIL).

The notes on pages 12 to 24 form part of these financial statements.

EBITDA	2020	2019
	£	£
Earnings before interest, depreciation and amortisation	(2,310,096)	1,304,779

QBIC HOTELS LIMITED
REGISTERED NUMBER:07992488

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	5,500,000	6,756,251
		<u>5,500,000</u>	<u>6,756,251</u>
Current assets			
Stocks		10,575	16,305
Debtors: amounts falling due within one year	12	682,465	676,292
Cash at bank and in hand	13	541,660	450,986
		<u>1,234,700</u>	<u>1,143,583</u>
Creditors: amounts falling due within one year	14	(5,592,766)	(2,306,845)
Net current liabilities		<u>(4,358,066)</u>	<u>(1,163,262)</u>
Total assets less current liabilities		<u>1,141,934</u>	<u>5,592,989</u>
Creditors: amounts falling due after more than one year	15	(7,574,853)	(9,204,684)
Provisions for liabilities			
Deferred tax	17	(270,637)	(323,706)
		<u>(270,637)</u>	<u>(323,706)</u>
Net liabilities		<u>(6,703,556)</u>	<u>(3,935,401)</u>
Capital and reserves			
Called up share capital	18	100,000	100,000
Capital contribution reserve		949,521	-
Profit and loss account		(7,753,077)	(4,035,401)
		<u>(6,703,556)</u>	<u>(3,935,401)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Gerardus Schipper
 Director

Date: 26 July 2021

The notes on pages 12 to 24 form part of these financial statements.

QBIC HOTELS LIMITED

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

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	100,000	-	(3,197,878)	(3,097,878)
Loss for the year	-	-	(837,523)	(837,523)
At 1 January 2020	100,000	-	(4,035,401)	(3,935,401)
Loss for the year	-	-	(3,717,676)	(3,717,676)
Capital contribution	-	949,521	-	949,521
At 31 December 2020	100,000	949,521	(7,753,077)	(6,703,556)

The notes on pages 12 to 24 form part of these financial statements.

QBIC HOTELS LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(3,717,676)	(837,523)
Adjustments for:		
Depreciation of tangible assets	726,405	729,204
Impairments of fixed assets	620,546	-
Interest paid	734,244	148,130
Taxation charge	(53,069)	701,267
Decrease in stocks	5,730	9,539
(Increase) in debtors	(6,173)	(54,615)
Increase in creditors	1,285,922	894,286
Net cash generated from operating activities	(404,071)	1,590,288
Cash flows from investing activities		
Purchase of tangible fixed assets	(90,700)	(453,675)
Net cash from investing activities	(90,700)	(453,675)
Cash flows from financing activities		
Capital contribution received	949,521	-
Repayment of loans	(250,000)	(1,000,000)
Other new loans	620,168	-
Interest paid	(734,244)	(148,130)
Net cash used in financing activities	585,445	(1,148,130)
Net increase/(decrease) in cash and cash equivalents	90,674	(11,517)
Cash and cash equivalents at beginning of year	450,986	462,503
Cash and cash equivalents at the end of year	541,660	450,986
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	541,660	450,986
	541,660	450,986

The notes on pages 12 to 24 form part of these financial statements.

QBIC HOTELS LIMITED**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £	Cash flows £	Other non- cash changes £	At 31 December 2020 £
Cash at bank and in hand	450,986	90,674	-	541,660
Debt due after 1 year	(9,204,684)	250,000	1,379,831	(7,574,853)
Debt due within 1 year	(1,000,000)	-	(2,000,000)	(3,000,000)
	<u>(9,753,698)</u>	<u>340,674</u>	<u>(620,169)</u>	<u>(10,033,193)</u>

The notes on pages 12 to 24 form part of these financial statements.

QBIC HOTELS LIMITED

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

1. General information

Qbic Hotels Limited is a private company (registered number: 07992488), limited by share capital, registered in England and Wales.

The principal place of business is:

Qbic London City Hotel
42 Adler Street
London
E1 1EE

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The following principal accounting policies have been applied:

2.2 Going concern

The directors have decided to wind up the Company within 12 months of the date of signing of these financial statements. As such the Company is no longer considered to be a going concern and the financial statements have not been prepared on such a basis.

In preparing the financial statements on a basis other than that of a going concern, assets have been written down to their recoverable amount, where appropriate.

The financial statements do not include any provision for the future costs of terminating the business of the Company, except to the extent that such costs were committed at the date of the Statement of Financial Position.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

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

2. Accounting policies (continued)

2.4 Revenue

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

Revenue from accommodation, food and beverages and other ancillary services is recognised on the date of delivery, as this is the date on which risk and reward transfers from the Company to the customer. Any amounts received before the end of the reporting period in respect to the provision of accommodation and services after the reporting period are treated accordingly as deferred revenues.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.6 Government grants

Government grants are accounted for under the accruals model as permitted by FRS 102.

During the year the Company received grants of £410,766 (2019: £NIL) in relation to the Coronavirus Job Retention Scheme. These grants are recognised in the Income Statement, within Other Operating Income, in the same period as the related staff costs expenditure.

There are no unfulfilled conditions in relation to these grants.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 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 fixed contributions 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 profit or loss 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 funds.

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

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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 reporting date.

2.10 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Short-term leasehold property	- 5-25 years straight line
Fixtures and fittings	- 7 years straight line
Computer equipment	- 2 years straight line

The assets' 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 disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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

2. Accounting policies (continued)

2.11 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.13 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.14 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.

2.15 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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 objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount 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
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.15 Financial instruments (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.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the process of applying its accounting policies, the Company is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented. On an ongoing basis, the Company evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known. The following paragraphs detail the estimates and judgements the Company believes to have the most significant impact on the annual results under FRS 102.

Property, plant and equipment (PPE)

The estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PPE investment to the Company, variations between actual and estimated useful economic lives could impact operating results both positively and negatively, although historically few changes to estimated useful economic lives have been required.

Management also consider whether there are any indicators of impairment of PPE. The decision to wind up the Company is one such indicator of impairment and following a review of the carrying amount of PPE compared with their recoverable amount an impairment charge of £620,546 has been recognised.

Leases

Management are required to assess whether leases entered into by the Company are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Going concern

In preparing these financial statements the directors are required to determine whether the Company is a going concern. See Note 2.2 for further details.

QBIC HOTELS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****4. Turnover**

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Accommodation	1,378,716	6,228,819
Food and beverage	250,326	873,178
Other	78,651	120,194
	<u>1,707,693</u>	<u>7,222,191</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2020 £	2019 £
Government grants receivable	<u>410,766</u>	<u>-</u>

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2020 £	2019 £
Exchange differences	3,002	(601)
Other operating lease rentals	<u>5,590</u>	<u>1,412,500</u>

7. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>16,000</u>	<u>22,000</u>

Fees payable to the Company's auditor in respect of:

	2020 £	2019 £
Taxation compliance services	3,060	2,900
Other services relating to taxation	<u>400</u>	<u>750</u>
	<u>3,460</u>	<u>3,650</u>

QBIC HOTELS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****8. Employees**

Staff costs were as follows:

	2020 £	2019 £
Wages and salaries	1,093,490	1,400,158
Social security costs	93,979	120,640
Cost of defined contribution scheme	21,043	27,784
	<u>1,208,512</u>	<u>1,548,582</u>

No directors received any remuneration during the year from the Company (2019: £NIL).

The average monthly number of employees, including directors, during the year was 55 (2019 - 64).

9. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	-	148,130
Other loan interest payable	734,244	563,701
	<u>734,244</u>	<u>711,831</u>

10. Taxation

	2020 £	2019 £
Deferred tax		
Origination and reversal of timing differences	(53,069)	701,267
Total deferred tax	<u>(53,069)</u>	<u>701,267</u>
Taxation on (loss)/profit on ordinary activities	<u>(53,069)</u>	<u>701,267</u>

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

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(3,770,745)	(136,256)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(716,442)	(25,889)
Effects of:		
Expenses not deductible for tax	117,911	-
Capital allowances for year in excess of depreciation	95,442	51,801
Unrelieved tax losses written off	464,279	686,923
Effect of change in deferred tax rate	(14,259)	(11,568)
Total tax charge for the year	(53,069)	701,267

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

QBIC HOTELS LIMITED

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

11. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2020	7,311,667	3,018,515	209,022	10,539,204
Additions	38,390	32,292	20,018	90,700
At 31 December 2020	<u>7,350,057</u>	<u>3,050,807</u>	<u>229,040</u>	<u>10,629,904</u>
Depreciation				
At 1 January 2020	1,457,601	2,148,905	176,447	3,782,953
Charge for the year on owned assets	307,612	390,063	28,730	726,405
Impairment charge	566,232	51,894	2,420	620,546
At 31 December 2020	<u>2,331,445</u>	<u>2,590,862</u>	<u>207,597</u>	<u>5,129,904</u>
Net book value				
At 31 December 2020	<u>5,018,612</u>	<u>459,945</u>	<u>21,443</u>	<u>5,500,000</u>
At 31 December 2019	<u>5,854,066</u>	<u>869,610</u>	<u>32,575</u>	<u>6,756,251</u>

The short-term leasehold property and other tangible fixed assets have been pledged as security, by way of fixed and floating charges respectively, against the outstanding bank loan of £3,000,000 (2019: £3,250,000).

QBIC HOTELS LIMITED

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

12. Debtors

	2020 £	2019 £
Trade debtors	-	45,364
Other debtors	292,826	51,964
Prepayments and accrued income	389,639	578,964
	<u>682,465</u>	<u>676,292</u>

13. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>541,660</u>	<u>450,986</u>

14. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank loans	3,000,000	1,000,000
Trade creditors	1,802,664	267,775
Other taxation and social security	16,608	111,011
Other creditors	660,744	717,262
Accruals and deferred income	112,750	210,797
	<u>5,592,766</u>	<u>2,306,845</u>

15. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	-	2,250,000
Other loans	7,574,853	6,954,684
	<u>7,574,853</u>	<u>9,204,684</u>

QBIC HOTELS LIMITED

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

16. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	3,000,000	1,000,000
Amounts falling due 2-5 years		
Bank loans	-	2,250,000
Amounts falling due after more than 5 years		
Other loans	7,574,853	6,954,684
	<u>10,574,853</u>	<u>10,204,684</u>

Included within Bank Loans is a loan secured by way of fixed charge over the short-term leasehold property and a floating charge over the assets of the Company of £3,000,000 (2019: £3,250,000). Interest is payable on the loan at a rate of 3.25% + LIBOR.

Included within Other Loans is an unsecured loan of £2,024,595 (2019: £1,955,943), which includes capitalised interest of £319,824 (2019: £251,173) owed to Promontoria Qbic Holdings Limited, a company under common control. Interest is payable on the loan at a rate of 3.5% per annum.

Included within Other Loans is an unsecured loan of £5,550,258 (2019: £4,998,741), which includes capitalised interest of £1,731,692 (2019: £1,180,175) owed to Promontoria Qbic Holdings Limited, a company under common control. Interest is payable on the loan at a rate of 11% per annum.

17. Deferred taxation

	2020 £	2019 £
At beginning of year	(323,706)	377,561
Charged to profit or loss	53,069	(701,267)
At end of year	<u>(270,637)</u>	<u>(323,706)</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(271,175)	(324,677)
Short term timing differences	538	971
	<u>(270,637)</u>	<u>(323,706)</u>

QBIC HOTELS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****18. Share capital**

	2020 £	2019 £
Allotted, called up and fully paid		
75,000 (2019 - 75,000) Ordinary A shares of £1.00 each	75,000	75,000
25,000 (2019 - 25,000) Ordinary B shares of £1.00 each	25,000	25,000
	<u>100,000</u>	<u>100,000</u>

Both classes of Ordinary shares carry the same rights to dividends, capital distribution and voting.

19. Reserves**Profit and loss account**

The profit and loss account represents all current and prior period retained profits and losses.

Capital contribution reserve

The capital contribution reserve represents capital contributions from the shareholders.

20. Pension commitments

The Company operates a defined contributions 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 £21,043 (2019: £27,784). Contributions totalling £2,831 (2019: £5,712) were payable to the fund at the Statement of Financial Position date.

21. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	1,412,500	1,412,500
Later than 1 year and not later than 5 years	5,650,000	5,650,000
Later than 5 years	17,303,125	18,715,625
	<u>24,365,625</u>	<u>25,778,125</u>

QBIC HOTELS LIMITED

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

22. Related party transactions

During the year the Company incurred management fees payable of £51,657 (2019: £217,368) with Qbic Hotels International Management Limited, a company under common control. As at 31 December 2020 an amount of £106,377 (2019: £290,604) is owed to Qbic Hotels International Limited and has been included within other creditors.

During the year the Company paid development costs on behalf of and received cash from Qbic Hotels (Manchester) Limited, a company under control. As at 31 December 2020 an amount of £440,515 is owed to Qbic Hotels (Manchester) Limited (2019: £243,040), a company under common control.

During the year the Company recharged staff and other costs to Parc Bellevue Sprl, a company under common control. As at 31 December 2020 an amount of £58,412 (2019: £12,651) is owed by Parc Bellevue Sprl and has been included within other debtors.

During the year the Company incurred other loan interest payable of £620,168 (2019: £561,514) with Promontoria Qbic Holdings Limited, the parent company. As at 31 December 2020 an amount of £7,574,853 (2019: £6,954,684) is owed to Promontoria Qbic Holdings Limited and has been included within other loans.

Total remuneration payable to key management personnel during the year was £NIL (2019: £NIL).

23. Post balance sheet events

Qbic London City Hotel is in the process of surrendering the lease in exchange for a premium which allows for full repayment of obligations towards the Company's senior lender. Employees of Qbic London City Hotel have been offered the option to TUPE over to the next tenant who will continue to operate a hotel under a different brand. The Company will be liquidated once the lease surrender is completed on 6 August 2021.

24. Controlling party

The Directors consider Promontoria Qbic Hotels Limited to be the controlling party.