

Docklands Riverside Hotel Limited
Report and Financial Statements
Year Ended
31 December 2020
Company Number: 08945549 (England & Wales)



Docklands Riverside Hotel Limited

**Report and financial statements
for the year ended 31 December 2020**

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Directors

Liao Qinfang
Jiangwei Liu
Bingdong Zhao

Secretary and registered office

Moxa Hospitality & Leisure Limited,
Unit 8 Ongar Business Centre, The Gables, Fyfield Road, Ongar, CM15 0GA

Auditors

BDO LLP, 55 Baker Street, London. W1U 7EU

Bankers

Barclays Bank Plc
Governor and Company of the Bank of Ireland

Solicitors

Watson Farley & Williams LLP
Company Registration No. 0C312252 (England & Wales)

Docklands Riverside Hotel Limited

Strategic Report

for the year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal Activity

The principal activity of the Company is the operation of an internationally branded hotel located in the United Kingdom. The Company leases the hotel from its parent Company and employs Hilton International as Hotel Manager.

Future Outlook

The Covid-19 pandemic has had a catastrophic effect on the hospitality and travel industry. Lockdown measures combined with travel quarantines have resulted in an unprecedented reduction in occupancy and turnover. 2020 total revenue was £2.8m compared to £16.6m in 2019. Recovery during 2021 has been slow with revenues expected to be in the order of £4.1m. The impact of the pandemic is discussed more fully in the Directors' Report and the note 1 to the financial statements.

Principal Risks and Uncertainties

Economic Activity

The UK is in the largest recession on record. Estimates from the Office for National Statistics showed that the UK economy shrank by 21.2% during the first half of 2020 and, despite a record expansion the third quarter of 2020 following the lifting of the national lockdown in June 2020, the level of UK GDP in the third quarter of 2020 was 8.6% below where it was prior to the Covid-19 pandemic at the end of 2019. The effects of the contraction in GDP has been most pronounced in those industries most exposed to public health restrictions and the effects of social distancing.

Although experiencing growth of 25.2% in December 2020 the accommodation and food sector finished the year, 48% below its February 2020 level.

Competition

Hotels are generally location driven and the Company's hotel, which continues to face stiff competition from the Canary Wharf market where the supply of rooms currently exceeds demand.

Covid-19

The UK COVID-19 outbreak developed rapidly in March 2020, with a significant number of infections. Measures taken by government to contain the virus have affected economic activity resulting in the directors assessing the impact on the Company's future activities and cash resources.

Following Government advice, the hotel, which experienced a slowdown in occupancy during February 2020, closed on 24 March 2020. The majority of staff were subsequently furloughed following closure. Further, the Company has taken advantage of the other measures the Government provided, including a business rates holiday, Coronavirus Job Retention Scheme and deferment of VAT. The Company's cost base has been reduced significantly to a more manageable level.

Financial review

The key financial and other performance indicators during the year were as follows:

	2020	2019
	£	£
Hotel EBITDA	(1,376,961)	5,220,210
Other Income	73,333	73,330
Overheads	(178,732)	(173,078)
Head Rent	(3,657,039)	(3,657,166)
Depreciation	(1,563,006)	(2,292,288)
Operating Loss	(6,702,405)	(828,992)

Docklands Riverside Hotel Limited
Strategic Report
for the year ended 31 December 2020

Principal risks and uncertainties

The Company is subject to a variety of risks, which may have an adverse impact on the business, its operating results, turnover, profit, assets and reserves.

Listed below are the main risks, which, in the opinion of the directors, could significantly affect the Company's business.

Competitive risks

The directors review the hotel against a set of competing hotels allowing the hotel to compare accommodation occupancy percentages, average room rate, RevPAR and its competitive position in market penetration in relation to the competitive set of hotels.

Currency risks

The hotel business is affected by the strength of sterling, with strong sterling increasing the effective room rate for international guests.

Legislative risks

Health and safety regulations are constantly reviewed and to this end the hotel operator has appointed Health & Safety Managers to carry out all legally required training to ensure that all health and safety policies are communicated and adhered to.

Economic development

The Company operates in a competitive environment influenced by the UK economy. Adverse economic and financial conditions, including recession and currency fluctuations could lead to lower revenues and reduced income. Recent experience shows that a recession and currency fluctuations could lead to lower revenues and reduced income. Recent experience shows that a recession impacts leisure and business travel, negatively affecting room rates and/or occupancy levels and other income generating activities such as food and beverage sales. This may result in worsening of operating results and potentially reduce the value of the property.

Events that impact domestic or international travel

Room rates and occupancy levels could be negatively affected by events that reduce domestic and/or international travel. These may include events such as acts of terrorism, epidemics, travel related industrial action and increased costs, all of which could result in reduced domestic and/or international travel. Such events may lead to reduced demand for hotel rooms and could have a negative impact upon the Company's operations and financial results.

Technology and systems

The Company is reliant upon certain IT systems for the smooth and efficient running of its business and any disruption to those IT systems could have a detrimental effect on the running of the business. If the Company does not keep up to date with new IT developments it runs the risk of becoming uncompetitive, which could result in a loss of customers and a failure to attract new customers.

Credit risk

The Company's exposure to credit risk is mitigated as it is spread over a large number of counterparties and customers.

A significant amount of cash, £483,809 at 31 December 2020 (2019 - £1,796,444) is held with the Barclays Banking Group whose credit rating at 31 December 2020 was bbb (2019: Barclays Banking Baa3).

Liquidity risk

To maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments the Company uses long-term debt from its immediate parent undertaking.

Approval

This Strategic Report was approved by order of the Board on 29th January 2022.



Patrick Bamford
For and on behalf of Moxa
Hospitality & Leisure Limited,
Secretary

Docklands Riverside Hotel 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.

Results and dividends

The results are set out on page 10. The directors do not recommend the payment of a dividend.

Going concern

The Company's statement of financial position reflects a net liability position of £11,165,054 (2019 - £4,489,500).

As discussed in the Strategic Report, the COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the hotel, as it has all UK hotels. The hotel was closed on 24 March 2020 and although it reopened on 19 September 2020, with early signs being encouraging, a second closure on 2 December 2020 adversely affected the hotel's return to profitability. In accordance with government regulations the hotel reopened fully in July 2021.

As discussed in the Strategic Report, the directors have taken comprehensive steps to ensure that the business is able to continue in operation for the foreseeable future, in particular in the event of further lockdowns. It is the expectation of the directors that normal operations will be able to resume quickly as restrictions in relation to COVID-19 are now lifted.

The Company is dependent on its immediate parent company, 265 Rotherhithe Street London Sarl, for financial support. A letter of support has been obtained from 265 Rotherhithe Street London Sarl indicating its intention to provide this financial support to the company for a period of at least 12 months from the date of approval of the financial statements. At the year end, the Company owed its immediate parent £10,657,256 (2019 - £5,352,865). 265 Rotherhithe Street London Sarl has agreed to defer repayment of its loan to the Company until such time as the Company has the cash resources to do so. On 30 June 2021, 265 Rotherhithe Street London Sarl concluded an agreement with its funder, the Governor and Company of the Bank of Ireland, whereby, in return for agreeing to maintain a minimum of £2m of cash in aggregate across its bank accounts and those of the Company, all covenant breaches resulting from the impact of Covid-19 and the consequential closure of the Company's hotel have been waived and covenant testing suspended up to and including 31 December 2021 when this waiver agreement ended. As part of this agreement and to support the commitments made by 265 Rotherhithe Street London Sarl, the ultimate controlling entity has agreed to maintain cash or cash equivalent assets with an aggregate balance of at least £7.5m to evidence its ability to provide ongoing financial support to the Company's immediate parent in order to maintain the minimum cash liquidity of £2m. Unless otherwise agreed the next covenant testing of the immediate parent company's loan will take place on 31 March 2022 based upon the covenants in the original loan agreement and will most likely be breached. Whilst the parent company's funder has been supportive to date there is currently no binding agreement in place, but the directors are confident that ongoing discussions between 265 Rotherhithe Street London Sarl and their bank will be successful and a further waiver amendment to their loan agreement will be concluded before 31 March 2022.

The directors have prepared budgets which forecast a return to profitability from the second quarter of 2022, albeit to a lower level than previously achieved. These forecasts, however, include a significant level of judgement specifically around occupancy levels and achievable rates. In a downside scenario of reasonably possible outcomes, the objective of a return to profitability in 2022 may not be met which could result in the Company seeking additional financial assistance from its intermediate parent entities and /or its parent entity's funder.

The Company is fortunate to benefit from the strong support of its shareholder and of its parent entity's banker. Therefore, the expectation of the Directors is that they will be able to meet financial liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements.

It is, however, difficult to estimate how the COVID-19 outbreak will continue to impact the Company's trading and for how long, and the Directors consider this to be the key uncertainty over which they have no control. In the event that the hotel trading levels take longer to pick up than the forecast scenarios, then the immediate parent company would need to obtain additional covenant waivers. In the event of adverse trading and the resulting impact on covenants there is a lack of certainty over continued support from the bankers to the Company's immediate parent and therefore the immediate parents ability to provide the required financial support to the Company. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

Docklands Riverside Hotel Limited
Directors' Report
for the year ended 31 December 2020

Going concern (continued)

Happily, notwithstanding the material uncertainty surrounding the ability of the Company's immediate parent to conclude a consensual restructuring or refinancing of its loan, the Company's immediate parent is not heavily geared and the Directors are confident that the ultimate controlling entity will continue to support the Company and its immediate parent until such time that either an enduring consensual agreement covering the remaining term of its loan facility is reached or the loan is otherwise refinanced.

The financial statements are therefore prepared on a going concern basis and do not include the adjustments that would result if the Company was unable to continue as a going concern.

Financial risk management objective and policies

The risks associated with the Company have been outlined in the strategic report.

Supplier payment policy

The Company's policy is to settle terms of payments with firms when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Employment of disabled persons

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The Company's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the Company, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Company. Retraining of employees who become disabled whilst employed by the Company is offered where appropriate.

Directors

The directors of the Company throughout the year were:

- ☐ Liao Qinfang
- ☐ Jiangwei Liu
- ☐ Bingdong Zhao

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- ☐ select suitable accounting policies and then apply them consistently;
- ☐ make judgements and accounting estimates that are reasonable and prudent;
- ☐ state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ☐ 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.

Docklands Riverside Hotel Limited
Directors' Report
for the year ended 31 December 2020

Disclosure of information to the Auditor

Each of the persons who are directors at the time when this directors' report is approved have confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all 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.

Auditor

The Auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approval

This Directors' Report was approved by order of the Board on 29th January 2022 by:


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Liao Qinfang
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOCKLANDS RIVERSIDE HOTEL LIMITED

Opinion on the financial statements

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.

We have audited the financial statements of Docklands Riverside Hotel Limited ("the Company") for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that the going concern of the Company is dependent upon support from its immediate parent undertaking whose ability to provide such support is in turn dependent on the continued support of its lender in the event of any breaches of the covenants attached to its borrowings from the lender. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, 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.

Other information

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

Other information (continued)

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOCKLANDS RIVERSIDE HOTEL LIMITED

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 material misstatements in the Strategic report and 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, 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.

Extent to which the audit was 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 gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. Our audit procedures were designed to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, financial reporting legislation, the Companies Act 2006, distributable profits legislation and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, review of board meeting minutes, enquiries with management and review of correspondence with external legal advisors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOCKLANDS RIVERSIDE HOTEL LIMITED

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

There are inherent limitations in the audit procedures described above and, the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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 management override of internal controls through journals. We addressed the risk of management override of internal controls through testing journals, in particular any entries posted with unusual account combinations or outside of our expectations based on our understanding of the Company's operations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:
BDO LLP
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Richard Willis (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK

Date 02 February 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Docklands Riverside Hotel Limited
Statement of comprehensive income
for the year ended 31 December 2020

		2020 £	2019 £
Turnover	3	2,800,988	16,619,607
Cost of sales		(4,177,949)	(6,093,479)
Gross profit		(1,376,961)	10,526,128
Administrative costs		(5,398,777)	(11,428,450)
Other operating income	4	73,333	73,330
Operating loss	5	(6,702,405)	(828,992)
Interest payable and similar charges	6	(67,290)	(188,706)
Loss on ordinary activities before tax		(6,769,695)	(1,017,698)
Taxation on loss on ordinary activities	7	94,141	(94,141)
Total comprehensive expense		(6,675,554)	(1,111,839)

All amounts in the statement of comprehensive income relate to continuing activities.

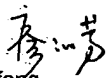
The notes on pages 14 to 22 form part of these financial statements

Docklands Riverside Hotel Limited

Statement of financial position for the year ended 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Non Current assets					
Property, plant & equipment	10		898,071		1,972,702
			<u>898,071</u>		<u>1,972,702</u>
Current assets					
Stocks	11	17,917		22,052	
Debtors	12	503,915		1,169,440	
Cash at bank and in hand		483,809		1,796,444	
		<u>1,005,641</u>		<u>2,987,936</u>	
Creditors: amounts falling due within one year	13	(2,411,510)		(4,097,273)	
Net current liabilities			<u>(1,405,869)</u>		<u>(1,109,337)</u>
Total assets less current liabilities			<u>(507,798)</u>		<u>863,365</u>
Creditors falling due after one year	14		(10,657,256)		(5,352,865)
Net liabilities			<u>(11,165,054)</u>		<u>(4,489,500)</u>
Capital and reserves					
Called up share capital	16		1,000		1,000
Profit and loss account			(11,166,054)		(4,490,500)
Deficit of shareholder's funds attributable to owners of the parent Company			<u>(11,165,054)</u>		<u>(4,489,500)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29th January 2022


 Liao Qinfang
 Director
 Company Registration No. 08945549 (England & Wales)

The notes on pages 15 to 22 form part of these financial statements.

Docklands Riverside Hotel Limited

Statement of changes in equity for the year ended 31 December 2020

	Share Capital	Profit & loss account	Equity attributable to owners of the parent company
	£	£	£
At 1 January 2019	1,000	(3,378,661)	(3,377,661)
Total comprehensive expense	-	(1,111,839)	(1,111,839)
As at 31 December 2019	1,000	(4,490,500)	(4,489,500)
At 1 January 2020	1,000	(4,490,500)	(4,489,500)
Total comprehensive expense	-	(6,675,554)	(6,675,554)
At 31 December 2020	1,000	(11,166,054)	(11,165,054)

The notes on pages 15 to 22 form part of these financial statements.

Docklands Riverside Hotel Limited

Statement of cash flows for the year ended 31 December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Loss after tax for the financial year		(6,675,554)	(1,111,839)
Adjustments for:			
Taxation charge		(94,141)	94,141
Depreciation of tangible fixed assets	10	1,563,006	2,292,288
Amortisation of Key Money		(73,333)	(73,330)
Increase / (Decrease) in debtors		665,525	(296,836)
Decrease in stocks		4,135	4,830
(Decrease) / Increase in creditors		(1,518,289)	671,395
<i>Net cash (used) / generated from operating activities</i>		<u>(6,128,651)</u>	<u>1,580,649</u>
Cash flows from investing activities			
Purchases of tangible fixed assets	10	(488,375)	(790,479)
<i>Net cash used in investing activities</i>		<u>(488,375)</u>	<u>(790,479)</u>
Cash flows from financing activities			
Repayment of amount owing to/from a related party		5,304,391	(382,519)
<i>Net cash used in financing activities</i>		<u>5,304,391</u>	<u>(382,519)</u>
Net (reduction) / increase in cash and cash equivalents		(1,312,635)	407,651
Cash and cash equivalents at beginning of year		1,796,444	1,388,793
<i>Cash and cash equivalents at end of year</i>		<u>483,809</u>	<u>1,796,444</u>
Cash and cash equivalents comprise:			
Cash at bank and in hand		483,809	1,796,444

The notes on page 15 to 22 form part of these financial statements.

Docklands Riverside Hotel Limited
Notes forming part of the financial statements
for the year ended 31 December 2020

1 Accounting policies

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and in accordance with applicable accounting standards. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's accounting policies, see note 2 for details of significant estimates and judgements. The financial statements have been prepared on the historical cost basis.

The following principal accounting policies have been applied:

Going concern

The Company's statement of financial position reflects a net liability position of £11,165,054 (2019 - £4,489,500).

As discussed in the Strategic Report, the COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the hotel, as it has all UK hotels. The hotel was closed on 24 March 2020 and although it reopened on 19 September 2020, with early signs being encouraging, a second closure on 2 December 2020 adversely affected the hotel's return to profitability. In accordance with government regulations the hotel reopened fully in July 2021.

As discussed in the Strategic Report, the directors have taken comprehensive steps to ensure that the business is able to continue in operation for the foreseeable future, in particular in the event of further lockdowns. It is the expectation of the directors that normal operations will be able to resume quickly as restrictions in relation to COVID-19 are now lifted.

The Company is dependent on its immediate parent company, 265 Rotherhithe Street London Sarl, for financial support. A letter of support has been obtained from 265 Rotherhithe Street London Sarl indicating its intention to provide this financial support to the company for a period of at least 12 months from the date of approval of the financial statements. At the year end, the Company owed its immediate parent £10,657,256 (2019 - £5,352,865). 265 Rotherhithe Street London Sarl has agreed to defer repayment of its loan to the Company until such time as the Company has the cash resources to do so. On 30 June 2021, 265 Rotherhithe Street London Sarl concluded an agreement with its funder, the Governor and Company of the Bank of Ireland, whereby, in return for agreeing to maintain a minimum of £2m of cash in aggregate across its bank accounts and those of the Company, all covenant breaches resulting from the impact of Covid-19 and the consequential closure of the Company's hotel have been waived and covenant testing suspended up to and including 31 December 2021 when this waiver agreement ended. As part of this agreement and to support the commitments made by 265 Rotherhithe Street London Sarl, the ultimate controlling entity has agreed to maintain cash or cash equivalent assets with an aggregate balance of at least £7.5m to evidence its ability to provide ongoing financial support to the Company's immediate parent in order to maintain the minimum cash liquidity of £2m. Unless otherwise agreed the next covenant testing of the immediate parent company's loan will take place on 31 March 2022 based upon the covenants in the original loan agreement and will most likely be breached. Whilst the parent company's funder has been supportive to date there is currently no binding agreement in place, but the directors are confident that ongoing discussions between 265 Rotherhithe Street London Sarl and their bank will be successful and a further waiver amendment to their loan agreement will be concluded before 31 March 2022.

The directors have prepared budgets which forecast a return to profitability from the second quarter of 2022, albeit to a lower level than previously achieved. These forecasts, however, include a significant level of judgement specifically around occupancy levels and achievable rates. In a downside scenario of reasonably possible outcomes, the objective of a return to profitability in 2022 may not be met which could result in the Company seeking additional financial assistance from its intermediate parent entities and /or its parent entity's funder.

The Company is fortunate to benefit from the strong support of its shareholder and of its parent entity's banker. Therefore, the expectation of the Directors is that they will be able to meet financial liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements.

Docklands Riverside Hotel Limited

Notes forming part of the financial statements
for the year ended 31 December 2020

Going concern (continued)

It is, however, difficult to estimate how the COVID-19 outbreak will continue to impact the Company's trading and for how long, and the Directors consider this to be the key uncertainty over which they have no control. In the event that the hotel trading levels take longer to pick up than the forecast scenarios, then the immediate parent company would need to obtain additional covenant waivers. In the event of adverse trading and the resulting impact on covenants there is a lack of certainty over continued support from the bankers to the Company's immediate parent and therefore the immediate parents ability to provide the required financial support to the Company. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

Happily, notwithstanding the material uncertainty surrounding the ability of the Company's immediate parent to conclude a consensual restructuring or refinancing of its loan, the Company's immediate parent is not heavily geared and the Directors are confident that the ultimate controlling entity will continue to support the Company and its immediate parent until such time that either an enduring consensual agreement covering the remaining term of its loan facility is reached or the loan is otherwise refinanced.

The financial statements are therefore prepared on a going concern basis and do not include the adjustments that would result if the Company was unable to continue as a going concern.

Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied exclusive of Value Added Tax and trade discounts.

Sale of goods

The Company operates restaurants and bars at the hotel. Sales of goods are recognised when the restaurant or bars sell a product to a customer.

Sale of services

The Company supplies conference and event facilities as well as hotel rooms to businesses and private customers. Sales of rooms and conference and event facilities are recognised on the dates those facilities are used. Deposits received in advance are not recognised as turnover until the date of the stay or event.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any 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.

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

Depreciation

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:

Building improvements	- 5 years
Fixtures, fittings and equipment	- 3 years

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

Stocks

Stocks are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Docklands Riverside Hotel Limited
Notes forming part of the financial statements
for the year ended 31 December 2020

1 Accounting policies (continued)

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

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 change attributable to an item of income or 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's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- ☐ 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;
- ☐ 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 all material timing differences.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Leased assets: Lessee

All leased assets are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease. Lease incentive received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Pension costs

Contributions to the Company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

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

In preparing these financial statements, the directors have made the following judgements:

- ☐ Determine whether leases entered into by the Company either as a lessor or a lessee are operating or lease 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.
- ☐ Determine whether there are indicators of impairment of the Company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- ☐ *Tangible fixed assets (see note 10)*
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Docklands Riverside Hotel Limited
Notes forming part of the financial statements
for the year ended 31 December 2020 continued

3	Analysis of Turnover	2020	2019
		£	£
	Analysis by class of business:		
	Hotel operating revenue	2,800,988	16,619,607
		<hr/>	<hr/>
		2,800,988	16,619,607
		<hr/>	<hr/>
	Analysis of turnover by country of destination:		
	United Kingdom	2,800,988	16,619,607
		<hr/>	<hr/>
		2,800,988	16,619,607
		<hr/>	<hr/>
4	Other operating income	2020	2019
		£	£
	Amortisation of key money	73,333	73,330
5	Operating loss	2020	2019
		£	£
	This is arrived at after charging:		
	Depreciation of tangible fixed assets	1,563,006	2,292,288
		<hr/>	<hr/>
	Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	25,200	28,275
	Fees payable to the Company's auditor and its associates for other services to the Company:	21,000	13,786
6	Interest payable and similar charges	2020	2019
		£	£
	Interest payable to parent undertakings	67,290	188,706

Docklands Riverside Hotel Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 continued

7 Taxation on profit on ordinary activities	2020	2019
	£	£
Analysis of tax charge/(credit) for the period		
<i>Current tax</i>		
UK corporation tax at 19% (2019 – 19.25%)	(94,141)	94,141
Reconciliation of tax charge		
Loss ordinary activities before tax	(6,769,695)	(1,017,698)
Tax on loss on ordinary activities at the standard CT rate of 19% (2019 - 19%)	(1,286,242)	(193,363)
Effects of:		
Fixed asset differences	296,971	145,212
Adjust closing deferred tax to average rate of 19%	-	48,686
Adjust opening deferred tax to average rate of 19%	-	(39,258)
Deferred tax not recognised	895,130	132,864
	<hr/>	<hr/>
Tax (credit) / charge for the period	(94,141)	94,141

8 Employees	2020	2019
	£	£
Staff costs (including directors) consist of:		
Wages and salaries	1,099,699	2,055,867
Social security costs	132,981	185,341
Cost of defined contribution scheme	51,875	36,605
	<hr/>	<hr/>
	1,284,555	2,277,813

The average number of employees (including directors) during the year was as follows:

	2020	2019
	Number	Number
Hotel staff	46	105
Administration	5	7
	<hr/>	<hr/>
	51	112

9 Directors' remuneration

There was no directors' remuneration during the year (2019: £nil).

There were no directors in the Company's defined contribution pension scheme (2019: – nil). None of the directors accrued benefit under the Company's defined benefit pension scheme during the year (2019 – nil).

Docklands Riverside Hotel Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 continued

10 Tangible Fixed Assets

Leasehold improvement, plant & equipment

£

Cost

At 1 January 2020	10,861,343
Additions	488,375

At 31 December 2020	11,349,718
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Depreciation

At 1 January 2020	(8,888,641)
Charge for the year	(1,563,006)

At 31 December 2019	(10,451,647)
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Netbook value

As at 31 December 2020	898,071
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As at 31 December 2019	1,972,702
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11 Stocks

2020

2019

£

£

Consumables held for resale	17,917	22,052
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There are no material differences between the replacement costs of stocks and the amounts stated above.

12 Debtors

2020

2019

£

£

Trade debtors	114,713	476,117
Other debtors	241,531	503,024
Prepayments and accrued income	147,671	190,299

503,915	1,169,440
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All amounts are due within one year.

Docklands Riverside Hotel Limited
Notes forming part of the financial statements
for the year ended 31 December 2020 continued

13 Creditors	2020	2019
	£	£
Trade creditors	140,648	141,988
Accruals	1,412,161	2,191,334
Other creditors and deferred income	820,013	1,091,835
Taxation and social security	38,688	672,116
	<hr/>	<hr/>
	2,411,510	4,097,273
	<hr/>	<hr/>
14 Creditors: amounts falling after one year	2020	2019
	£	£
Amounts owed to immediate parent undertaking	10,657,256	5,352,865
	<hr/>	<hr/>
	10,657,256	5,352,865
	<hr/>	<hr/>
15 Pensions		
The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company by an independently administered fund. The pension cost represents contributions payable by the Company to the fund.		
16 Share capital	2020	2019
	£	£
<i>Allotted, called up and fully paid</i>		
- 1,000 ordinary shares of £1 each (2018: 1,000)	1,000	1,000
Ordinary shareholders have the right to receive notice of and vote at the Annual General Meeting of the Company, participate in dividends and any capital repayment or winding up of the Company.		
17 Contingent liabilities		
The Company has guaranteed bank borrowings of its parent entity. At the year end the liabilities covered by these guarantees totalled £49,000,000 (2019: - £49,000,000).		

Docklands Riverside Hotel Limited
Notes forming part of the financial statements
for the year ended 31 December 2020 continued

18 Commitments under operating leases

The company had minimum annual lease payments under non-cancellable operating leases as set out below:

	2020 £	2019 £
Land & buildings		
Not later than 1 year	3,703,639	3,703,639
Later than 1 year and not later than 5 years	14,814,556	14,814,556
Later than 5 years	14,814,556	18,518,195
	<u>33,332,751</u>	<u>37,036,390</u>

19 Related party disclosures

The immediate parent undertaking of the company is 265 Rotherhithe Street London Sarl, 7 Rue Robert Stumper L-2557, R.C.S. Luxembourg. The ultimate controlling undertaking is Apollo Bright (Europe) Sarl, 7 Rue Robert Stumper L-2557, R.C.S. Luxembourg.

The following transactions took place between the company and its immediate parent during the year:

	2020 £	2019 £
Rental payments under an occupational lease	3,657,039	3,703,639

All transactions were conducted on an arm's length basis on normal trading terms. At 31 December 2020 £10,657,256 was owed by the company to its parent undertaking (2019 - £5,352,865). Interest is charged at Libor plus 25bps and the highest amount outstanding during the year was £10,657,256 (2019 - £6,659,958).

Key management personnel include all directors, a number of senior managers and consultants of the company who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £nil (2019- £nil).

20 Post balance sheet event

As discussed in the Strategic Report, the Directors Report and Note 1 forming part of the Financial Statements the Covid-19 outbreak has continued to have a significant impact on the operations of the hotel since the 2020 financial year end.