

Hotel Collection Hotel No.2 Limited

Director's report and
financial statements

Year ended 31 December 2020

Registered number: 09173889



Hotel Collection Hotel No.2 Limited

Director's report and financial statements

<i>Contents</i>	<i>Page</i>
Director and other information	1
Director's report	2
Statement of Director's responsibilities in respect of the Director's report and the financial statements	4
Independent auditor's report to the members of Hotel Collection Hotel No.2 Limited	5
Profit and loss account and other comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes forming part of the financial statements	12

Hotel Collection Hotel No.2 Limited
Directors and other information

Directors	Guy David Baruch (resigned 01 May 2020) Sivan Jerushalmi
Registered office	2 nd Floor 167-169 Great Portland Street London W1W 5PF
Independent auditor	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
Registered number	09173889

Hotel Collection Hotel No.2 Limited

Director's report

The Director submits his Director's report together with the audited financial statements of Hotel Collection Hotel No.2 Limited (the "Company") for the year ended 31 December 2020.

Principal activity

The Company's principal activity during the year was that of property investment.

Future developments

The Director expects the activities of the Company to continue for the foreseeable future.

Risk and uncertainties

The emergence of the COVID-19 coronavirus has created a number of uncertainties and risks that may affect the Company's performance going forward. The Company objectives, policies and processes for managing these risks are set out below:

Property valuations

The value of the Company's property portfolio is affected by the conditions prevailing in the property investment market and the general economic environment. The impact of the United Kingdom leaving the European Union is uncertain and the effects of this, together with the Covid-19 coronavirus outbreak, are continuing to cause uncertainty which may have future economic impacts to property valuations. Accordingly, the Company's **net asset value can rise and fall due to external factors beyond the Director's control.**

Results and dividends

The results of the Company for the year are set out in the profit and loss account on page 9 and in the related notes.

There were no dividends proposed during the year (2019: £nil).

Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Guy David Baruch (resigned 01 May 2020)
Sivan Jerushalmi

The Directors who held office at 31 December 2020 had no interest in the shares, loan stock or debentures of the Company or the entity's ultimate parent undertaking.

Going concern

As a part of Aroundtown SA Group, the outbreak of coronavirus (Covid-19) in early 2020 had an immaterial effect on the Group results for the first quarter of 2020. However, the pandemic and the economic implications have a more material effect on the results from the second quarter of 2020 to the first quarter 2021, and the group has implemented measures to minimize the negative effect on its operations. The group maintains its strong liquidity and conservative financial position, which provide a financial cushion in case of a continuous downside scenario, as well as acquisition firepower for opportunistic purchases.

Hotel Collection Hotel No.2 Limited

Director's report (*continued*)

Going concern (*continued*)

The current uncertain economic conditions present increased risks for all businesses. In response to such conditions, the Director has assessed the Company's **forecasts and projections, taking account of** reasonable, possible changes in trading performance and of the financial support from its group Company, Aroundtown SA. After making enquiries, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from auditor's report date. Based on this assessment, the Director believes it remains appropriate to prepare the financial statement on a going concern.

Subsequent events

There has been no events subsequent to the year end date that required adjustment or disclosure in the financial statements.

Political contributions

The Company made no political contributions during the year.

Disclosure of information to the auditor

The Director who held office at the date of approval of this Director's report confirm that, so far as he is aware, there is no relevant audit information of which the Company's statutory auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's statutory auditor is aware of that information.


Small Companies' exemption

This report has been prepared in accordance with the special provisions relating to small Companies within Part 15 of the Companies Act 2006. These provisions entitled the Director's to an exemption from preparing a Strategic Report.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG will therefore continue in office.

By order of the board


Sivan Jerushalmi
Director

Date: 28.10.2021

2nd Floor
167 – 169 Great Portland Street
London
W1W 5PF

Hotel Collection Hotel No.2 Limited

Statement of Director's responsibilities in respect of the Director's report and the financial statements

The Director is responsible for preparing the **Director's Report and the financial statements in accordance with applicable law and regulations.**

Company law requires the Director to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework*.

Under Company law the Director 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 Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's **ability to continue as a going concern**, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Director is 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 responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board


Sivan Jerushalmi
Director

Date: 28.10.2021



KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL COLLECTION HOTEL NO.2 LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hotel Collection Hotel No.2 ('the Company') for the year ended 31 December 2020 set out on pages 9 to 20, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 Reduced Disclosure Framework.

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;
- the financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework; and
- the financial statements 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL COLLECTION HOTEL NO.2 LIMITED (continued)

Report on the audit of the financial statements (continued)

Conclusions relating to going concern (continued)

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The Company is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL COLLECTION HOTEL NO.2 LIMITED (continued)

Report on the audit of the financial statements (continued)

Detecting irregularities including fraud (continued)

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL COLLECTION
HOTEL NO.2 LIMITED (continued)**

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

Eamon Dillon

**Eamon Dillon [Senior Statutory Auditor]
for and on behalf of
KPMG Statutory Auditor
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland**

29 October 2021

Hotel Collection No.2 Limited

Profit and loss account and other comprehensive income for the year ended 31 December 2020

Continuing operations	Note	2020 £'000	2019 £'000
Turnover	3	1,225	4,900
Gross profit		1,225	4,900
Administrative expenses		(2,035)	(496)
Fair value (loss)/gain on investment property	10	(3,656)	890
Operating (loss)/profit	4	(4,466)	5,294
Interest payable and similar charges	8	(706)	(2,860)
(Loss)/Profit on ordinary activities before taxation		(5,172)	2,434
Tax credit/(charge) on profit on ordinary activities	9	(211)	(1,232)
(Loss)/Profit for the financial year		(5,383)	1,202
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		(5,383)	1,202

Hotel Collection No.2 Limited

Balance sheet

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investment property	10	76,200	79,800
		<u>76,200</u>	<u>79,800</u>
Current assets			
Debtors: amounts due within one year	11	866	2,466
Cash		<u>55</u>	<u>336</u>
		921	2,802
Creditors: amounts falling due within one year	12	(264)	(799)
		<u>657</u>	<u>2,003</u>
Net current assets			
		657	2,003
Total assets less current liabilities		76,857	81,803
Creditors: amounts falling due after more than one year	13	(57,265)	(56,828)
		<u>19,592</u>	<u>24,975</u>
Net Assets			
		19,592	24,975
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		<u>19,592</u>	<u>24,975</u>
Total shareholder's funds - equity		<u>19,592</u>	<u>24,975</u>

These financial statements were approved by the board on 28 October 2021 and were signed on its behalf by:


Sivan Jerushalmi
Director

Company registration number: 09173889

Hotel Collection No.2 Limited

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

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2019	-	23,773	23,773
Comprehensive income for the year			
Profit for the financial year	<u>-</u>	<u>1,202</u>	<u>1,202</u>
Total comprehensive income for the year	<u>-</u>	<u>24,975</u>	<u>24,975</u>
At 31 December 2019	-	24,975	24,975
Comprehensive income for the year			
Loss for the financial year	<u>-</u>	<u>(5,383)</u>	<u>(5,383)</u>
Total comprehensive income for the year	<u>-</u>	<u>19,592</u>	<u>19,592</u>
At 31 December 2020	<u>-</u>	<u>19,592</u>	<u>19,592</u>

Hotel Collection No.2 Limited

Notes

forming part of the financial statements

1 Reporting entity

Hotel Collection Hotel No.2 Limited ("the Company") is a private Company incorporated, domiciled and registered in the United Kingdom. The registered office is 2nd Floor 167-169 Great Portland Street, London, W1W 5PF.

The Company's registration number is 09173889.

2 Significant accounting policies

2.1 Basis of preparation of financial statements

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's ultimate parent undertaking, Aroundtown S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Aroundtown S.A. are prepared in accordance with international Financial Reporting Standards and are available to the public.

In these financial statements, the Company has adopted certain disclosure exemptions available under FRS 101. These include:

- a cash flow statement and related notes;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- certain comparative information; and
- the effects of new but not yet effective IFRSs.

As the consolidated financial statements of Aroundtown S.A include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and
- Certain disclosures required by IAS 36 *Impairment of Assets*.

The accounting policies set out below have unless otherwise stated been applied consistently to all periods presented in these financial statements.

Judgements made by the Director, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Hotel Collection No.2 Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis with the exception of investment property which is initially measured at cost and subsequently at fair value.

2.3 Functional currency

These financial statements are presented in Sterling, being the functional currency of the Company. All financial information presented in Sterling has been rounded to the nearest thousand, except where otherwise stated.

2.4 Use of estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

The key accounting judgement and estimate in these financial statements is:

- Carrying amount of investment property – note 10

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2.5 Going concern

As a part of Aroundtown SA Group, the outbreak of coronavirus (Covid-19) in early 2020 had an immaterial effect on the Group results for the first quarter of 2020. However, the pandemic and the economic implications have a more material effect on the results from the second quarter of 2020 to the first quarter 2021, and the group has implemented measures to minimize the negative effect on its operations. The group maintains its strong liquidity and conservative financial position, which provide a financial cushion in case of a continuous downside scenario, as well as acquisition firepower for opportunistic purchases.

The current uncertain economic conditions present increased risks for all businesses. In response to such conditions, the Director has assessed the Company's forecasts and projections, taking account of reasonable, possible changes in trading performance and of the financial support from its group Company, Aroundtown SA. After making enquiries, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from auditor's report date. Based on this assessment, the Director believes it remains appropriate to prepare the financial statement on a going concern.

2.6 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values. When measuring the fair value of an asset or liability the Company uses market observable data as far as possible.

Hotel Collection No.2 Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.7 Revenue

Turnover comprises rental income, excluding value added tax. Rentals receivable under operating leases are credited to the profit and loss account on an accruals basis over the term of the lease. Any initial advance receipt in relation to operating leases is treated as part of the rentals receivable and accordingly these receipts are credited to the profit and loss account on a straight line basis over the period of the lease and are classified within deferred income.

2.8 Finance income and finance costs

Interest income or expenses are recognised using the effective interest method.

2.9 Taxation

Income tax expense comprises current and deferred tax. It is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates and laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: those differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.10 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Hotel Collection No.2 Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

2.11 Trade and other receivables

Trade and other receivables are measured at their nominal amount less any allowance for doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

For trade receivables, the Company applies IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected allowance. Trade receivables are considered impaired when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the agreement.

2.12 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, which approximates to fair value given the short-term nature of the business.

2.13 Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Hotel Collection No.2 Limited

Notes (continued)

2 Significant accounting policies (continued)

2.13 Financial instruments (continued)

(iv) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(v) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary dividends declared as final dividends are recognised as a liability in the period in which they are approved by shareholders. Interim dividends are recognised as a liability when declared.

2.14 Cash and cash equivalent

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable or deemed and form an integral part of the Company cash management are included as a component of cash and cash equivalent for the purpose only of the cash flow statement.

3 Turnover

All turnover is derived from the Company's main activity and comprises of rental income, excluding value added tax.

4 Operating (loss)/profit

Auditor's remuneration was borne by another group Company in both years.

5 Staff costs

The Company had no employees during the current and preceding year.

6 Director's remuneration

There was no remuneration paid to the Director by the Company during the year (2019: £nil). There were no retirement benefits accruing to the Director (2019: £nil).

8 Interest payable and similar charges

	2020 £'000	2019 £'000
Interest payable on parent Company loans	(706)	(2,860)
	<hr/>	<hr/>
	(706)	(2,860)
	<hr/>	<hr/>

Hotel Collection No.2 Limited

Notes (continued)

9 Tax on profit on ordinary activities	2020 £'000	2019 £'000
Corporation tax		
Current tax on profits for the year	-	569
Adjustment in respect of prior period	(133)	116
	<hr/>	<hr/>
Total current tax charge	(133)	685
	<hr/>	<hr/>
Deferred tax		
Current Year	(332)	437
Adjustment in respect of prior period	-	156
Tax changes		(46)
	<hr/>	<hr/>
	676	
	344	547
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	211	1,232
	<hr/>	<hr/>

Factors affecting tax charge for the year

The tax assessed differs from the standard rate of corporation tax in the UK of 19.00%. The differences are explained below:

	2020 £'000	2019 £'000
(Loss)/Profit on ordinary activities before taxation	(5,172)	2,434
	<hr/>	<hr/>
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00%	(983)	463
Effects of:		
Difference in current and deferred tax rate		
Adjustments in respect of prior years	(126)	272
Effects of group relief/ other reliefs	274	-
Revaluation gain	236	
Movement in DTA not recognised	134	543
Tax rate changes	676	(46)
	<hr/>	<hr/>
Total tax charge for the year	211	1,232
	<hr/>	<hr/>

Factors that may affect future tax charges

Hotel Collection No.2 Limited

Notes (continued)

10 Investment property	2020 £'000
<i>Valuation</i>	
At 1 January 2020	78,900
Additions	56
Fair value loss	(3,656)

At 31 December 2020	76,200
----------------------------	---------------

Investment property comprises a hotel which is leased to a third party. Changes in fair value are recognised as gains or losses in profit or loss.

11 Debtors	2020 £'000	2019 £'000
Trade debtors	356	1,960
VAT	510	506
	<u>866</u>	<u>2,466</u>

12 Creditors: amounts falling due within one year	2020 £'000	2019 £'000
Trade creditors	264	588
VAT payable	-	211
	<u>264</u>	<u>799</u>

13 Creditors: amounts falling due after more than one year	2020 £'000	2019 £'000
Deferred tax (note 15)	6,088	5,744
Loans owed to group Company	51,177	51,084
	<u>57,265</u>	<u>56,828</u>

14 Financial instruments	2020 £'000	2019 £'000
---------------------------------	-----------------------	-----------------------

The Company had the following financial instruments:

Financial assets

Financial assets that are debt instruments measured at amortised cost

866	2,466
-----	-------

Financial liabilities

Financial liabilities measured at amortised cost

(51,442)	(51,883)
----------	----------

Hotel Collection No.2 Limited

Notes (continued)

15 Deferred taxation	£'000
At 1 January 2020	5,744
Current Tax Year	344

At 31 December 2020	6,088
----------------------------	--------------

The deferred taxation is made up as follows:

	2020 £'000	2019 £'000
Fixed assets	6,183	5,334
Revaluation gain	-	410
Losses	(95)	-
	<u>6,088</u>	<u>5,744</u>

16 Called up share capital	2020 £	2019 £
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1

The shares have attached to them full voting, dividend and capital distribution rights. They do not confer any rights of redemption.

17 Operating leases

Leases as lessor

The investment properties are let under operating leases. The future minimum lease payments under leases are as follows:

	2020 £'000	2019 £'000
Not later than 1 year	1,225	4,900
Later than 1 year and not later than 5 years	18,375	14,700
	<u>19,600</u>	<u>19,600</u>

During the year £1,225,000 (2019: £4,900,000) was recognised as rental income by the Company. The decrease was due to the rental income waived for the second quarter 2020 to the first quarter 2021 due to the pandemic.

Hotel Collection No.2 Limited

Notes (continued)

18 Group relationships and ultimate controlling parties

The Company is a subsidiary undertaking of Aroundtown S.A. which is the ultimate parent Company registered in Luxembourg. The ultimate controlling party is Aroundtown S.A. No other group financial statements include the results of the Company. The consolidated financial statements of the group are available to the public and may be obtained from www.aroundtown.de.

19 Related party transactions

The Company has availed of the exemptions available in FRS 101 from disclosing transactions entered into between two or more members of a group and also key management personnel compensation disclosures.

There were no other related party transactions.

20 Subsequent events

There have been no events subsequent to the year end date that required adjustment to or disclosure in the financial statements.