

**GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
BGAM HOTELS (KW) LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2020**

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BGAM HOTELS (KW) LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS:

J D Levy
J P Levy
M D Rubin
N S Rubin
L M Becker

REGISTERED OFFICE:

Greenhill House
90/93 Cowcross Street
London
EC1M 6BF

REGISTERED NUMBER:

10449423 (England and Wales)

AUDITORS:

Goldwyns Limited
Statutory Auditors and Chartered Accountants
Rutland House
90-92 Baxter Avenue
Southend on Sea
Essex
SS2 6HZ

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

The directors present their strategic report of the company and the group for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the group during the year under review was a hotel operating under the IHG Holiday Inn franchise.

REVIEW OF BUSINESS

The results for the year show revenues generated of £1,039,518 (2019 - £3,081,741) and a resultant loss before tax of £(2,225,276) (2019 - £(1,549,533)).

During March 2020 the spread of Covid-19 (Coronavirus) led to a period of national and local lockdowns, restrictions on the free movement of individuals and enforced closures of premises such as the group's. These restrictions continued throughout the remainder of the year, and into the subsequent year ended 31 December 2021. The effects on the group's business were, of course, severe.

Whilst the directors acted quickly to mitigate the damage, the group (and the country) faced unprecedented difficulties. No business can be expected to survive over nine months of disruption, enforced closures and loss of trade without huge losses of revenue, profitability and hence net reserves.

Government support was utilised and helped the group maintain some of its workforce in the interim, through the Coronavirus Job Retention Scheme. Reliefs from rates, one of the group's biggest single expenses, was also invaluable and again continues into 2021. However, the directors are also appreciative for the plentiful support they received from their staff, suppliers and financiers without whom navigating the pandemic would have been impossible.

Travel was one of the worst affected industries and will be one of the slowest to recover, fully, in due course. The advances in vaccinations, the Government's "Roadmap out of lockdown" (published in February 2021), and the resultant gradual relaxation of restrictions into Summer 2021 have remained encouraging. Trade (both leisure and business) has begun to return and advance bookings have picked up substantially. International travel remains severely affected although that may present further domestic opportunities for the group's business, depending on how the market reacts and how the pandemic continues.

Having navigated an extremely difficult 18 months already, the directors remain hopeful of overcoming the final challenges and returning to normal trading, and profitability, as soon as the business can. The directors therefore consider the group remains a going concern - further details on which can be found in the notes to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk to the underlying business is inadequate occupancy of its available rooms and therefore an inability to generate sufficient revenues to service operations. The directors closely monitor the group's performance against similar companies operating in comparable markets and respond accordingly.

The group is also susceptible to any loss in key members of operational staff and therefore operates a number of performance reward and incentive programmes to mitigate these risks.

As covered above, during the course of the year the group (and the wider economy) was severely affected by the spread of Covid-19 (Coronavirus) and the resultant Government restrictions on the travel industry and the free movement of individuals. This had severely hampered the company's ability to maintain occupancy and resultant revenues, which continued into 2021. The group therefore remains at risk of further restrictions, loss of trade and / or the return of the travel industry.

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

SECTION 172(1) STATEMENT

Stakeholder engagement

The board of directors have a legal responsibility under section 172 of the Companies Act 2006 to act in the way we consider, in good faith, would be most likely to promote the group's success for the benefit of its members as a whole, and to have regard to the long-term effect of our decisions on the group and its stakeholders. This statement addresses the ways in which we as a board handle this responsibility.

Decision making

Regular operational and strategic meetings are held by the directors and general managers. This ensures the board has access to the key factors affecting all areas of the business' decision making, shorter term or longer.

Furthermore, the group is in constant communication with IHG and various industry specific news sources. This enables the directors to keep abreast of, and address, all longer-term shifts in the group's operating markets.

Employee engagement

The subsidiary maintains a diverse workforce of local employees spanning all aspects of the hotel delivery, supplemented by outsourced staff and suppliers where necessary. Staff are rewarded in line with comparable local markets, provided with specific training relevant to their needs and have access to wider industry opportunities as a result of the same.

Business relationships

The group actively maintains strong relationships with its key suppliers and support functions, to ensure it has access to the resources it needs to operate effectively.

The wider franchise ensures the company group has access to a broad array of customers, visiting for various purposes. The group monitors compliance with brand standards to ensure all customers' expectations are satisfied and deliver the best possible service it can achieve.

Community and environmental impact

The directors remain ever conscious of the impact their business has on the local community and environment. As well as being a supportive local employer, the group also complies with all franchise environmental incentives.

Business conduct

The directors closely monitor the group's service delivery to ensure at all times the business is honest, fair and professional in its conduct with all stakeholders.

Shareholder engagement

The group is actively managed by its ultimate shareholders, who are all represented on the board of directors.

ON BEHALF OF THE BOARD:

J D Levy - Director

21 December 2021

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

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

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2020.

DIRECTORS

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

J D Levy
J P Levy
M D Rubin
N S Rubin
L M Becker

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

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

AUDITORS

The auditors, Goldwyns Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

J D Levy - Director

21 December 2021

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BGAM HOTELS (KW) LIMITED

Opinion

We have audited the financial statements of BGAM Hotels (KW) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2020 and of the group's 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We draw attention to note 24 in the financial statements, which details the uncertainties arising that may cast doubt on the group's ability to continue as a going concern. 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 in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BGAM HOTELS (KW) LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. In order to address the risks of misstatements in respect of irregularities, including fraud, we have:

- obtained an understanding of the key laws and regulations applicable to the company, including the Companies Act 2006, and applicable taxation legislation;
- assessed the company's own internal controls and systems for the prevention and detection of irregularities and particularly the control environment within which they operate;
- determined a materiality level and audit approach sufficient to identify most irregularities, including fraud, that may occur;
- considered our own involvement in the preparation of the company's statutory financial statements and taxation returns;
- conducted audit verification work, on a sample basis, on the key audit areas and risks we have identified; and
- reflected on the outcome of our work, and the likelihood that conclusions drawn may be indicative of other areas of potential irregularity.

We therefore consider our audit approach has been sufficient to detect material irregularities, including fraud.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BGAM HOTELS (KW) LIMITED**

Use of our report

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

S T Blundell ACA (Senior Statutory Auditor)
for and on behalf of Goldwyns Limited
Statutory Auditors and Chartered Accountants
Rutland House
90-92 Baxter Avenue
Southend on Sea
Essex
SS2 6HZ

22 December 2021

BGAM HOTELS (KW) LIMITED (REGISTERED NUMBER: 10449423)

**CONSOLIDATED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
TURNOVER		1,039,518	3,081,741
Cost of sales		<u>1,087,617</u>	<u>1,805,123</u>
GROSS (LOSS)/PROFIT		(48,099)	1,276,618
Administrative expenses		<u>1,694,682</u>	<u>2,279,316</u>
		(1,742,781)	(1,002,698)
Other operating income		<u>362,558</u>	-
OPERATING LOSS	4	(1,380,223)	(1,002,698)
Interest payable and similar expenses	5	<u>845,053</u>	<u>546,835</u>
LOSS BEFORE TAXATION		(2,225,276)	(1,549,533)
Tax on loss	6	<u>(135,909)</u>	<u>(38,690)</u>
LOSS FOR THE FINANCIAL YEAR		<u>(2,089,367)</u>	<u>(1,510,843)</u>
Loss attributable to:			
Owners of the parent		<u>(2,089,367)</u>	<u>(1,510,843)</u>

The notes form part of these financial statements

BGAM HOTELS (KW) LIMITED (REGISTERED NUMBER: 10449423)

**CONSOLIDATED
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

Notes	2020 £	2019 £
LOSS FOR THE YEAR	(2,089,367)	(1,510,843)
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(2,089,367)</u>	<u>(1,510,843)</u>
Total comprehensive income attributable to: Owners of the parent	<u>(2,089,367)</u>	<u>(1,510,843)</u>

The notes form part of these financial statements

BGAM HOTELS (KW) LIMITED (REGISTERED NUMBER: 10449423)

**CONSOLIDATED BALANCE SHEET
31 DECEMBER 2020**

	Notes	2020 £	£	2019 £	£
FIXED ASSETS					
Intangible assets	9		1,334,929		2,398,673
Tangible assets	10		8,674,426		8,891,166
Investments	11		-		-
			<u>10,009,355</u>		<u>11,289,839</u>
CURRENT ASSETS					
Stocks	12	5,422		16,979	
Debtors	13	998,322		925,045	
Cash at bank and in hand		<u>39,063</u>		<u>104,262</u>	
		1,042,807		1,046,286	
CREDITORS					
Amounts falling due within one year	14	<u>7,330,886</u>		<u>6,975,487</u>	
NET CURRENT LIABILITIES			<u>(6,288,079)</u>		<u>(5,929,201)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,721,276		5,360,638
CREDITORS					
Amounts falling due after more than one year	15		(9,139,333)		(8,664,518)
PROVISIONS FOR LIABILITIES	19		-		(24,810)
NET LIABILITIES			<u>(5,418,057)</u>		<u>(3,328,690)</u>
CAPITAL AND RESERVES					
Called up share capital	20		38		38
Retained earnings	21		<u>(5,418,095)</u>		<u>(3,328,728)</u>
SHAREHOLDERS' FUNDS			<u>(5,418,057)</u>		<u>(3,328,690)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2021 and were signed on its behalf by:

J D Levy - Director

BGAM HOTELS (KW) LIMITED (REGISTERED NUMBER: 10449423)

**COMPANY BALANCE SHEET
31 DECEMBER 2020**

	Notes	2020 £	£	2019 £	£
FIXED ASSETS					
Intangible assets	9		-		-
Tangible assets	10		-		-
Investments	11		<u>6,117,176</u>		<u>6,117,176</u>
			<u>6,117,176</u>		<u>6,117,176</u>
CURRENT ASSETS					
Debtors	13	52,928		52,928	
Cash at bank		<u>9</u>		<u>9</u>	
		52,937		52,937	
CREDITORS					
Amounts falling due within one year	14	<u>5,876,950</u>		<u>5,866,888</u>	
NET CURRENT LIABILITIES			<u>(5,824,013)</u>		<u>(5,813,951)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>293,163</u>		<u>303,225</u>
CAPITAL AND RESERVES					
Called up share capital	20		38		38
Retained earnings	21		<u>293,125</u>		<u>303,187</u>
SHAREHOLDERS' FUNDS			<u>293,163</u>		<u>303,225</u>
Company's (loss)/profit for the financial year			<u>(10,062)</u>		<u>301,361</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2021 and were signed on its behalf by:

J D Levy - Director

BGAM HOTELS (KW) LIMITED (REGISTERED NUMBER: 10449423)

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

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	38	(1,817,885)	(1,817,847)
Changes in equity			
Total comprehensive income	-	(1,510,843)	(1,510,843)
Balance at 31 December 2019	<u>38</u>	<u>(3,328,728)</u>	<u>(3,328,690)</u>
Changes in equity			
Total comprehensive income	-	(2,089,367)	(2,089,367)
Balance at 31 December 2020	<u>38</u>	<u>(5,418,095)</u>	<u>(5,418,057)</u>

The notes form part of these financial statements

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

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	38	1,826	1,864
Changes in equity			
Total comprehensive income	-	301,361	301,361
Balance at 31 December 2019	<u>38</u>	<u>303,187</u>	<u>303,225</u>
Changes in equity			
Total comprehensive income	-	(10,062)	(10,062)
Balance at 31 December 2020	<u>38</u>	<u>293,125</u>	<u>293,163</u>

The notes form part of these financial statements

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	(465,071)	(3,488,758)
Interest paid		(587,478)	(467,912)
Interest element of finance lease payments paid		(257,575)	(78,923)
Tax paid		-	(84,645)
Net cash from operating activities		<u>(1,310,124)</u>	<u>(4,120,238)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(5,700)	(59,802)
Sale of tangible fixed assets		-	5,000,000
Net cash from investing activities		<u>(5,700)</u>	<u>4,940,198</u>
Cash flows from financing activities			
Other loan advances		400,000	-
Finance advances		492,966	5,567,725
Government grants		342,558	-
Capital repayments in year		-	(6,190,764)
Amount withdrawn by directors		-	(199,999)
Net cash from financing activities		<u>1,235,524</u>	<u>(823,038)</u>
Decrease in cash and cash equivalents		<u>(80,300)</u>	<u>(3,078)</u>
Cash and cash equivalents at beginning of year	2	104,262	107,340
Cash and cash equivalents at end of year	2	<u>23,962</u>	<u>104,262</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020	2019
	£	£
Loss before taxation	(2,225,276)	(1,549,533)
Depreciation charges	1,286,183	1,206,847
Profit on disposal of fixed assets	-	(4,160)
Government grants	(342,558)	-
Finance costs	845,053	546,835
	<u>(436,598)</u>	<u>199,989</u>
Decrease in stocks	11,557	1,589
Decrease/(increase) in trade and other debtors	37,822	(740,754)
Decrease in trade and other creditors	<u>(77,852)</u>	<u>(2,949,582)</u>
Cash generated from operations	<u><u>(465,071)</u></u>	<u><u>(3,488,758)</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2020

	31/12/20	1/1/20
	£	£
Cash and cash equivalents	39,063	104,262
Bank overdrafts	<u>(15,101)</u>	<u>-</u>
	<u><u>23,962</u></u>	<u><u>104,262</u></u>

Year ended 31 December 2019

	31/12/19	1/1/19
	£	£
Cash and cash equivalents	<u><u>104,262</u></u>	<u><u>107,340</u></u>

BGAM HOTELS (KW) LIMITED (REGISTERED NUMBER: 10449423)

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/1/20 £	Cash flow £	At 31/12/20 £
Net cash			
Cash at bank and in hand	104,262	(65,199)	39,063
Bank overdrafts	<u>-</u>	<u>(15,101)</u>	<u>(15,101)</u>
	<u>104,262</u>	<u>(80,300)</u>	<u>23,962</u>
Debt			
Finance leases	(8,805,876)	(108,223)	(8,914,099)
Debts falling due within 1 year	(5,567,725)	(468,617)	(6,036,342)
Debts falling due after 1 year	<u>-</u>	<u>(316,125)</u>	<u>(316,125)</u>
	<u>(14,373,601)</u>	<u>(892,965)</u>	<u>(15,266,566)</u>
Total	<u>(14,269,339)</u>	<u>(973,265)</u>	<u>(15,242,604)</u>

The notes form part of these financial statements

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

1. STATUTORY INFORMATION

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

The group trades from its property in Kenilworth, Warwick.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The group accounts consolidated the affairs of BGAM Hotels (KW) Limited and all its subsidiary undertakings drawn to 31 December each year. The subsidiary accounts have been included in the group figures under the acquisition method of accounting.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover represents the income receivable by the group from its trading activities as a hotel. Sales encompass room hire, food and beverage income and all other associated ancillary hotel and guest services. Turnover is recognised in the period in which physical goods are sold, as services are performed or otherwise as entitlement accrues to the group.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2017, is being amortised evenly over its estimated useful life of five years.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of ten years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Long leasehold	- over a period of 75 years
Equipment	- 25% on reducing balance and 15% on reducing balance
Fixtures and fittings	- 15% on reducing balance
Computer equipment	- 33% on cost

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

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was as follows:

	2020	2019
Staff	61	80
Directors	<u>4</u>	<u>6</u>
	<u>65</u>	<u>86</u>

	2020 £	2019 £
Directors' remuneration	<u>-</u>	<u>-</u>

4. OPERATING LOSS

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

	2020 £	2019 £
Hire of plant and machinery	13,135	27,558
Depreciation - owned assets	122,440	120,637
Depreciation - assets on finance leases	100,000	22,466
Profit on disposal of fixed assets	-	(4,160)
Goodwill amortisation	1,060,744	1,060,744
Patents and licences amortisation	3,000	3,000
Auditors' remuneration - company	2,500	3,000
Auditors' remuneration - subsidiaries	8,000	9,500
Auditors' remuneration - other non-audit services	<u>146</u>	<u>146</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £	2019 £
Bank interest	52	-
Loan interest payable	577,426	465,219
Other interest	10,000	2,693
Leasing	<u>257,575</u>	<u>78,923</u>
	<u>845,053</u>	<u>546,835</u>

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

6. TAXATION

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	2020 £	2019 £
Current tax:		
UK corporation tax	(111,099)	-
Deferred tax	(24,810)	(38,690)
Tax on loss	<u>(135,909)</u>	<u>(38,690)</u>

Reconciliation of total tax credit included in profit and loss

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

	2020 £	2019 £
Loss before tax	<u>(2,225,276)</u>	<u>(1,549,533)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19 % (2019 - 19 %)	(422,802)	(294,411)
Effects of:		
Expenses not deductible for tax purposes	<u>286,893</u>	<u>255,721</u>
Total tax credit	<u>(135,909)</u>	<u>(38,690)</u>

Although historically deferred tax assets have not been recognised, the subsidiary does benefit from trading losses (£594k) carried forward, significant ongoing capital allowances (£351k) and capital losses (£2.26m) which will reduce its exposure to future taxable profits accordingly.

7. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

8. GOVERNMENT GRANTS

During the year, the group was in receipt of Government support, specifically in relation to the Covid-19 pandemic. Within other operating income is £342,558 (2019 - £nil) in respect of the Coronavirus Job Retention Scheme.

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

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Patents and licences £	Totals £
COST			
At 1 January 2020 and 31 December 2020	<u>5,303,719</u>	<u>30,000</u>	<u>5,333,719</u>
AMORTISATION			
At 1 January 2020	2,917,046	18,000	2,935,046
Amortisation for year	<u>1,060,744</u>	<u>3,000</u>	<u>1,063,744</u>
At 31 December 2020	<u>3,977,790</u>	<u>21,000</u>	<u>3,998,790</u>
NET BOOK VALUE			
At 31 December 2020	<u>1,325,929</u>	<u>9,000</u>	<u>1,334,929</u>
At 31 December 2019	<u>2,386,673</u>	<u>12,000</u>	<u>2,398,673</u>

10. TANGIBLE FIXED ASSETS

Group

	Long leasehold £	Equipment £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2020	8,500,000	15,069	591,791	5,627	9,112,487
Additions	-	-	5,700	-	5,700
At 31 December 2020	<u>8,500,000</u>	<u>15,069</u>	<u>597,491</u>	<u>5,627</u>	<u>9,118,187</u>
DEPRECIATION					
At 1 January 2020	22,466	8,372	189,580	903	221,321
Charge for year	<u>100,000</u>	<u>5,023</u>	<u>115,869</u>	<u>1,548</u>	<u>222,440</u>
At 31 December 2020	<u>122,466</u>	<u>13,395</u>	<u>305,449</u>	<u>2,451</u>	<u>443,761</u>
NET BOOK VALUE					
At 31 December 2020	<u>8,377,534</u>	<u>1,674</u>	<u>292,042</u>	<u>3,176</u>	<u>8,674,426</u>
At 31 December 2019	<u>8,477,534</u>	<u>6,697</u>	<u>402,211</u>	<u>4,724</u>	<u>8,891,166</u>

All assets held under leases had a carrying value at 31 December 2020 of £8,621,581

On 10 October 2019 the group entered into agreement to sell and then leaseback the property from which it trades, over a period of 225 years. This lease substantially amounts to a financing lease, as the group will subsidiary derive benefit from the property throughout a major part of its useful life, and has been recognised accordingly.

The disposal event created an accounting profit which has been recognised within that year.

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

10. TANGIBLE FIXED ASSETS - continued

Group

Fixed assets, included in the above, which are held under finance leases are as follows:

	Long leasehold £
COST	
At 1 January 2020 and 31 December 2020	<u>8,500,000</u>
DEPRECIATION	
At 1 January 2020	22,466
Charge for year	<u>100,000</u>
At 31 December 2020	<u>122,466</u>
NET BOOK VALUE	
At 31 December 2020	<u>8,377,534</u>
At 31 December 2019	<u>8,477,534</u>

11. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2020 and 31 December 2020	<u>6,117,176</u>
NET BOOK VALUE	
At 31 December 2020	<u>6,117,176</u>
At 31 December 2019	<u>6,117,176</u>

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiary

Khanna Enterprises (Kenilworth) Limited

Registered office: Greenhill House, 90/93 Cowcross Street, London EC1M 6BF

Nature of business: Hotel

	%
Class of shares:	holding
Ordinary	100.00

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

11. FIXED ASSET INVESTMENTS - continued

The company acquired the entire issued share capital of Khanna Enterprises (Kenilworth) Limited on 21 March 2017. A proportion of the purchase price was attributed to repaying the company's existing financing liabilities at that time, with the majority representing the cost of shares acquired.

From this date the subsidiary's financial affairs have been consolidated into the group figures in full.

12. STOCKS

	Group	
	2020	2019
	£	£
Stocks	<u>5,422</u>	<u>16,979</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	24,484	125,888	-	-
Other debtors	855,957	764,534	52,928	52,928
Tax	111,099	-	-	-
Prepayments	<u>6,782</u>	<u>34,623</u>	<u>-</u>	<u>-</u>
	<u>998,322</u>	<u>925,045</u>	<u>52,928</u>	<u>52,928</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans and overdrafts (see note 16)	5,963,561	5,567,725	-	-
Other loans (see note 16)	87,882	-	-	-
Finance leases (see note 17)	90,891	141,358	-	-
Trade creditors	130,707	99,365	-	-
Amounts owed to group undertakings	-	-	5,019,513	5,009,461
Social security and other taxes	76,935	56,471	-	-
Other creditors	951,380	868,017	854,437	654,428
Directors' current accounts	-	199,999	-	199,999
Accrued expenses	<u>29,530</u>	<u>42,552</u>	<u>3,000</u>	<u>3,000</u>
	<u>7,330,886</u>	<u>6,975,487</u>	<u>5,876,950</u>	<u>5,866,888</u>

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

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	2020	2019
	£	£
Other loans (see note 16)	316,125	-
Finance leases (see note 17)	8,823,208	8,664,518
	<u>9,139,333</u>	<u>8,664,518</u>

16. LOANS

An analysis of the maturity of loans is given below:

		Group	
		2020	2019
		£	£
Amounts falling due within one year or	on demand:		
Bank overdrafts		15,101	-
Bank loans		5,948,460	5,567,725
Other loans		87,882	-
		<u>6,051,443</u>	<u>5,567,725</u>
Amounts falling due between one and	two years:		
Other loans		<u>111,240</u>	<u>-</u>
Amounts falling due between two and	five years:		
Other loans		<u>204,885</u>	<u>-</u>

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

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Finance leases	
	2020	2019
	£	£
Gross obligations repayable:		
Within one year	328,999	373,124
Between one and five years	1,097,686	1,144,038
In more than five years	187,956,366	124,814,931
	<u>189,383,051</u>	<u>126,332,093</u>
Finance charges repayable:		
Within one year	238,108	231,766
Between one and five years	976,276	949,552
In more than five years	179,254,568	116,344,899
	<u>180,468,952</u>	<u>117,526,217</u>
Net obligations repayable:		
Within one year	90,891	141,358
Between one and five years	121,410	194,486
In more than five years	8,701,798	8,470,032
	<u>8,914,099</u>	<u>8,805,876</u>

On 10 December 2019 the group entered into an agreement to lease the property from which it trades for a period of 175 years. This transaction amounts to a finance lease and has been recognised accordingly. The group is liable for an annual rent of £150,000, adjusted for changes in the retail price index but subject to a minimum of 1% and a maximum of 4% increase per year.

Throughout the initial period of the lease the annual interest arising will exceed the rental payments due and therefore the group's recognised finance liability will continue to increase.

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

18. SECURED DEBTS

The following secured debts are included within creditors:

	Group	
	2020	2019
	£	£
Bank overdraft	15,101	-
Bank loans	5,948,460	5,567,725
Other loans	404,007	-
Finance leases	8,914,099	8,805,876
	<u>15,281,667</u>	<u>14,373,601</u>

The bank overdraft is guaranteed by the other associated companies.

The bank loans are secured by fixed and floating charge over the group's property and equipment and all assets

Other loans consists of two Coronavirus Business Interruption Loans, which the group drew in August and September 2020. The loans are backed by a partial guarantee from the UK Government.

Finance lease liabilities are secured on the assets to which they relate.

19. PROVISIONS FOR LIABILITIES

	Group	
	2020	2019
	£	£
Deferred tax	<u>-</u>	<u>24,810</u>

Group

	Deferred tax £
Balance at 1 January 2020	24,810
Accelerated capital allowances	23,366
Losses carried forward	<u>(48,176)</u>
Balance at 31 December 2020	<u>-</u>

Deferred tax provisions primarily represent the timing differences arising on accelerated capital allowance reliefs available in excess of accounting depreciation, less losses carried forward.

When providing for deferred tax, accumulated losses have been recognised only to the extent of relieving tax arising on other future gains. As accumulated tax losses exceed other future gains, no deferred tax asset has been recognised as at 31 December 2020.

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

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £	2019 £
3,800	"A" Ordinary	1p	<u>38</u>	<u>38</u>

21. RESERVES

Group

Retained
earnings
£

At 1 January 2020	(3,328,728)
Deficit for the year	<u>(2,089,367)</u>
At 31 December 2020	<u><u>(5,418,095)</u></u>

Company

Retained
earnings
£

At 1 January 2020	303,187
Deficit for the year	<u>(10,062)</u>
At 31 December 2020	<u><u>293,125</u></u>

22. PENSION COMMITMENTS

The group operates a defined contribution scheme in respect of its eligible employees. During the year, total contributions to this scheme amounted to £9,601 (2019 - £9,416). There was a contribution of £277 outstanding at the balance sheet date (2019 - £268).

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

23. RELATED PARTY DISCLOSURES

The group works closely with a portfolio of four other hotels and their respective companies, all under similar (but not identical) control. Further, the whole portfolio is managed by BGAM Limited, a hotel management enterprise, again with ownership similarities and common directors. These close working relationships enables all businesses to access necessary trading expertise when needed, negotiate beneficial relationships with suppliers and leverage various economies of scale for mutual benefit.

During the year the group's total compensation to key management personnel (including directors) amounted to £79,739 (2019 - £48,272).

The group also utilises management services provided by another company under common control. During the year the total costs arising for these management services amounted to £57,275 (2019 - £52,324).

At the balance sheet date, the group owed £75,328 to other companies under the control of various directors and their immediate family (2019 - £246,499).

24. GOING CONCERN

The consolidated income statement reports a loss for the period of £2,089,367 (2019 - £1,510,843) and the consolidated balance sheet a deficiency of net assets amounting to £5,418,057 (2019 - £3,328,690).

As discussed in the strategic report, the Covid-19 pandemic had a substantial adverse effect on the group's trade and profitability for the year ended 31 December 2020. The group's core reserves have been affected by such an extended period of very low trading capacity. Restrictions on opening, reductions in travel and consumer confidence were also factors into the first half of 2021.

However, the gradual relaxation of restrictions, the advances in the national vaccination programme and the continuing support of the group's creditors have all been encouraging. Activity has picked up substantially in recent months and forward projections remain strong. There are currently no intentions of ceasing trading activities and, providing no further restrictions are imposed, the directors anticipate the challenges remain navigable.

These financial statements are therefore still prepared on a going concern basis.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.