Havana Holdings (UK) Limited

Report and Financial statements

Year ended

31 December 2020

Company Number 03513344

Havana Holdings (UK) Limited

Report and financial statements
For the year ended 31 December 2020

Contents

Legal form

Private limited company

Directors

M A Cairns
K Cooper
F Bakhos
J Al Thani
Z El Guiziri

Secretary and registered office

K Cooper, 30 Portman Square, London, W1A 4ZX

Company number

03513344

Auditors

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

Havana Holdings (UK) Limited

Strategic report
for the year ended 31 December 2020

The directors present their Strategic report together with the audited financial statements for Havana Holdings (UK) Limited (the "company") and its subsidiaries (the "group") for the year ended 31 December 2020.

Principal activities

The company continues to trade as an investment holding company. The company holds 100% share capital in Churchill Group Limited, which operates the Hyatt Regency London - The Churchill Hotel, Portman Square, London. There have been no changes in the company's activities in the year under review.

Review of the business and future developments

The Consolidated statement of profit and loss is set out on page 11 and shows turnover for the year of £8.098m (2019 - £49.050m) and a loss for the year of £14.734m (2019 – profit of £3.662m).

The strategy will be to continue to develop its existing investments.

The global spread and unprecedented impact of COVID-19 has resulted in significant disruption and additional risks to the company's business, the lodging and hospitality industries and the global economy and has led to 2020 being the worst performing year in the history of The Churchill hotel.

The global COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on the travel industry generally and, as a result, on the group's business and results of operations, and these impacts may persist for an extended period of time.

With the global spread of COVID-19 beginning in March 2020, the hotel began to experience significant decreases in demand and revenue. The effects of the pandemic have materially adversely affected, and the group expects will continue to materially adversely affect, the revenues the group is able to generate. The hotel closed in March 2020, reopened in September 2020, and closed again on 31 October 2020 following a second lockdown. The hotel reopened on 3 December 2020. London entered Tier 3 on 16 December 2020, and whilst the hotel remains open for business travellers only, all food and beverage facilities with the exception of room service were forced to close.

The directors' strategy in 2021 will be to continue to drive the recovery through a focus on rebuilding our occupancy level by leveraging our key existing and emerging feeder markets which have been disrupted by the pandemic.

During the financial year, the company has chosen to move to the revaluation basis, as this better reflects the reality of the value of the company's assets. This has led to an increase in the value of fixed assets £295m.

Principal risks and uncertainties

The group's principal risks and uncertainties are same as that of its subsidiaries.

The most significant risk facing the business currently is Covid-19 and the ability of customers to travel and stay at the hotel. Given the hotel's trading is predominantly based on overseas visitors it is both the actions of the UK Government and those in the markets which are key to the business.

The hospitality industry in London remains highly competitive and the hotel seeks to manage the risk of losing customers to key competitors by focusing on anticipating, meeting and exceeding the expectations of its customers, encouraging client loyalty and extending retention.

Terrorism in the UK is an area of concern and despite the UK population seeming to be resilient to the increased number of attacks meaning it has not yet had a material impact on travel, it still remains an area of uncertainty and potential risk.

Principal risks and uncertainties *(continued)*

The refurbishment of all public areas and guest-room facilities demonstrates our commitment to re-establishing and re-positioning Hyatt Regency London - The Churchill as one of the leading hotels in London. We believe The Churchill is well placed to re-gain and sustain a definable advantage in its market place.

The hotel's credit risk is primarily attributable to its trade debtors. Credit risk is well managed by running credit checks on new and existing customers and by monitoring payments against contractual agreements.

Statement by the directors in accordance with s172(1) Companies Act 2006

In accordance with Section 172 of the Companies Act 2006, the directors of the company have acted in a way they consider to be in good faith and would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so have regard to factors noted below:

(a) The likely consequences of any decision in the long term;
(b) The interests of the company's employees;
(c) The need to foster the company's business relationships with suppliers, customers and others;
(d) The impact of the company's operations on the community and the environment;
(e) The desirability of the company maintaining a reputation for high standards of business conduct; and
(f) The need to act fairly as between members of the company.

Stakeholder engagement is an important area of focus for the company. We ensure that we have open communication with our various stakeholder groups, creating a mutually beneficial relationship, and we use information gained through these relationships to make informed judgements when making key decisions.

The directors understand the importance of their section 172 duty to act in good faith to promote the success of the company. When making decisions, the interests of any key relevant stakeholders will always be considered, including employees, suppliers, customers, shareholders, the community, lenders and the environment. The company is committed to developing business relationships with suppliers and customers as this will ensure that the hotel maintains its five star rating.

The Board also takes into consideration the long-term consequences for both the company and its relevant stakeholders when making these decisions by forecasting and considering the impact of these decisions. This ensures that the company conducts its business in a fair way, protecting its reputation and external relationships.

Workforce engagement

Employee feedback

The company has implemented a culture where employees are encouraged to provide feedback to senior leaders in the company through both formal and informal meetings. We chose this as our preferred approach as we believe that this enables the widest range of views to be heard from across the workforce and it ensures to keep them informed on matters affecting them as employees. The purpose of this is to enable the team members to be involved in shaping strategic plans and major decisions, and give them the opportunity to set their own discussion topics with senior leaders.

Confidential feedback

For team members who prefer to raise any concerns confidentially, and if they wish, anonymously, we have an independent, confidential and anonymous ethics line managed by a third-party operator, as well as a human resources department that provide a channel for confidential feedback which is available to everyone.

Statement by the directors in accordance with s172(1) Companies Act 2006 (continued)

Shareholder engagement

The Board is committed to ensuring there is continued sufficient and effective communication and engagement between the company and the shareholder through various different means throughout the year. This includes the Annual Report which sets out details of the company's strategy, business model and performance over the past financial year and plans for future growth.

Supplier engagement

We undertake significant due diligence on our suppliers and we have regular monitoring to ensure all suppliers are working in line with our minimum standards. Key suppliers include food & beverage, agency staffing, cleaning, property maintenance and IT/security infrastructure. To ensure there is two way communication with suppliers, we regularly engage with them by phone and/or onsite – contracts are reviewed annually and a fair competitive process is carried out when agreements expire or due for renewal.

Community engagement

The company works with local recruiters, job boards and charities to communicate the job opportunities within the company to local residents, and people currently out of work, education or training.

Customers

As part of our staff training, we emphasise the importance of engaging with customers throughout their experience. We also enable our customers to get up to date pricing information and promotions through emails and our website, and we carry out a number of guest satisfaction surveys. As a five star establishment, the continued happiness and welfare of our guests is of the utmost importance and therefore all staff are encouraged to engage with the guests throughout their stay to provide a personalised service, as well as following up on feedback, whether directly or via booking sites. We ensure our offering remains up to date and attractive to customers, with a continuing process of refurbishment and renewal throughout the hotel.

Lender engagement

There is regular communication with the company's lenders to discuss business performance, the market and any current issues.

Environment

As part of our daily operations we implement glass bottle, paper and card and light bulbs recycling, toner cartridges recycling, cardboard bailing, food waste management, descaling programs, energy management and combined heat and power, guest linen program etc. We try to source local produce and services where possible to minimise the environmental impact of our operations.

Approval

This Strategic report was approved by the Board and signed on its behalf on 28 September 2021

M A Cairns
Director

Directors' report
for the year ended 31 December 2020

The directors present their report together with the audited financial statements for Havana Holdings (UK) Limited (the "company") and its subsidiaries (the "group") for the year ended 31 December 2020.

Results and dividends

The Consolidated statement of profit or loss is set out on page 11 and shows the loss for the year.

The directors do not recommend an ordinary dividend (2019 - £Nil).

Going concern

The impact of the recent COVID-19 pandemic has required an update to the company's going concern analysis. Producing detailed forecasts in the current climate has been extremely challenging, and whilst the directors have confidence in the group to manage current fluctuations in trading, currently detailed forecasts have only been prepared until December 2021.

The group was able to refinance during 2020 and as a result has been able to amend the covenants applicable to the business, with the key covenant surrounding loan to value levels of which there is significant anticipated headroom.

The company is fortunate to benefit from the strong support of its parent company. The parent company has indicated that they would be willing to support the company should cash funding be required, and have formalised this through a binding letter of support. As part of their assessment of going concern, the directors of the company have considered the funding and liquidity position of their ultimate parent company to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they have made enquiries to the parent company's Board of Directors. Based on the above considerations, the expectation of the directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months and therefore it is appropriate to prepare the financial statements on a going concern basis.

Financial risk management

Details of the financial risk management objectives and policies and the use of financial instruments by the group are provided in note 4 to the financial statements.

Employment of disabled persons

The nature of the group's business is such that the duties of the majority of employees can only be performed by able-bodied people. Disabled people are not discriminated against when applying for suitable posts. Every effort is made to transfer employees becoming disabled to suitable posts within the group.

Employee involvement

The group's communications with employees are conducted informally through the established supervisory structure and also through an employee consultative committee. Further details are provided within the Statement by the directors in accordance with s172(1) Companies Act 2006 in the Strategic report.

Business relationships

The directors' statements on how they have had regard to the need to foster the group's business relationships with suppliers, customers and other stakeholders are provided within the Statement by the directors in accordance with s172(1) Companies Act 2006 in the Strategic report.

Directors

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

M A Cairns
K Cooper
F Bakhos
J Al Thani
Z El Guiziri

No director had any beneficial interest in the ordinary shares of the company at any time during the year.

Disclosure of items within the Strategic report

The directors have included statements relating to the principal activities of the company and future developments in the Strategic report.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Streamlined Energy and Carbon Reporting

The group is committed to minimising the impact of its hotel on the environment; continue to adopt sustainable policies; and improve its impact on the environment. The group have previously monitored energy consumption, however due to the Hotel closure and reduced operational staff onsite during the financial year as a result of Covid-19, the group have not been able to measure and record the relevant energy consumption measures. The group remain committed to enhancing its sustainability policies and will continue to track performance in this important area. In the future the organisation expects to report on environmental and sustainability governance, strategy, risk management and the group's performance using the Financial Disclosures framework published by the Financial Reporting Council.

Post balance sheet events

There have been no post balance sheet events that would require adjustment to or disclosure in the financial statements for the year ended 31 December 2020.

On behalf of the Board

M A Cairns

Director
Date 28 September 2021

Havana Holdings (UK) Limited

Directors' responsibilities statement
for the year ended 31 December 2020

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 group and company financial statements in accordance with the International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. 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 group and company 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;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TO MEMBERS OF HAVANA HOLDINGS (UK) LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Havana Holdings (UK) Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the Parent Company statement of financial position, the consolidated statement of cashflows, the consolidated statement of changes in equity, the Parent Company statement of changes in equity, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 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 Group and the Parent 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.

Conclusions relating to going concern

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 Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Emphasis of Matter: Property valuations

We draw attention to note 11, which explains that as a result of the impact of the outbreak of the novel coronavirus (COVID-19) on the market, the Company's property valuer has advised that less certainty, and a higher degree of caution, should be attached to their valuation than would normally be the case. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our 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. 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.

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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept 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. ;or

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 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.

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:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

• enquiring of management and the directors, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established by the group to mitigate risks related to fraud or non-compliance with laws and regulations.

• discussing among the engagement team including significant component audit teams, how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:

- Management override of controls;
- Government grant claims; and
- Improper revenue recognition

• obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, International accounting standards, and relevant tax and employment legislation.

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

• reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations noted above;
• enquiring of management, the directors and legal counsel concerning actual and potential litigation and claims;
• performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
• reading minutes of meetings of those charged with governance, reviewing correspondence with HMRC; and
• addressing the risk of fraud through management override of controls by, testing the appropriateness of journal entries including journal entries posted to revenue and other adjustments; assessing whether the judgements made about assumptions reflected in accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
• addressing the risk of fraud in Government grant claims by assessing the controls and governance procedures in place for each claim made, by recalculating a sample of claims, verifying the claims, receipts and payments made in regard of payroll related claims, and involving specialists to assess the claims made;
• addressing the risk of fraud in revenue recognition by performing a three way match between the PMS system, the nominal ledger and cash receipts, as well as performing procedures to verify the nature of cash inflows.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

9214367793F4491...

Mark RA Edwards (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
Date: 29 September 2021

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

Havana Holdings (UK) Limited

Consolidated statement of profit or loss
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	5	**8,098**	49,050
Raw materials and consumables used		**(428)**	(1,777)
Other external charges		**(867)**	(1,407)
Staff costs	8	**(10,845)**	(13,894)
Depreciation	7, 11	**(6,722)**	(6,462)
Other operating charges		**(7,014)**	(18,210)
Other income	6	**3,534**	-
Operating (loss)/profit	7	**(14,244)**	7,300
Finance expense	9	**(3,648)**	(3,795)
Finance income	9	**448**	43
Net movement in interest rate swaps		**-**	419
(Loss)/profit on ordinary activities before taxation		**(17,444)**	3,967
Taxation on (loss)/profit on ordinary activities	10	**2,710**	(305)
(Loss)/profit on ordinary activities after taxation		**(14,734)**	3,662

All amounts relate to continuing activities.

The notes on pages 20 to 49 form part of these financial statements.

Havana Holdings (UK) Limited

Consolidated statement of comprehensive income
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
(Loss)/profit for the financial year		**(14,734)**	3,662
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme	22	**(394)**	4,244
Property, plant and equipment revaluation	11	**204,333**	-
Tax relating to components of other comprehensive income	19	**(34,280)**	(666)
Other comprehensive profit for the year, net of tax		**169,659**	3,578
Total comprehensive gain for the year		**154,925**	7,240

The notes on pages 20 to 49 form part of these financial statements.

Havana Holdings (UK) Limited

Consolidated statement of financial position
at 31 December 2020

Company number 03513344

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**347,071**	144,263
Right-of-use asset	12	**5,940**	6,046
		353,011	150,309
Current assets			
Inventories	14	**496**	567
Trade and other receivables	16	**21,046**	6,638
Pension asset	22	**1,246**	1,707
Cash and cash equivalents		**11,719**	19,066
		34,507	27,978
Total assets		**387,518**	178,287
Current liabilities			
Trade and other payables	17	**5,122**	130,887
Income tax payable		-	2,299
		5,122	133,186
Net current assets/(liabilities)		**29,385**	(105,208)
Non-current liabilities			
Interest rate swaps	15	-	591
Deferred tax liability	19	**49,682**	15,403
Loans and borrowings	18	**148,706**	-
Provisions	23	**250**	250
Lease liability	12	**6,080**	6,104
		204,718	22,348
Total liabilities		**209,840**	155,534
NET ASSETS		**177,678**	22,753

The notes on pages 20 to 49 form part of these financial statements.

Havana Holdings (UK) Limited

Consolidated statement of financial position at 31 December 2020 *(continued)*

	Note	2020 £'000	2019 £'000
Issued capital and reserves			
Share capital	20,21	**42,500**	42,500
Share premium	21	**5,000**	5,000
Revaluation reserve	21	**169,975**	-
Accumulated losses	21	**(39,797)**	(24,747)
TOTAL EQUITY		**177,678**	22,753

The financial statements on pages 11 to 49 were approved and authorised for issue by the Board of Directors on 28 September 2021 and were signed on its behalf by:

M A Cairns
Director

The notes on pages 20 to 49 form part of these financial statements.

Havana Holdings (UK) Limited

Company statement of financial position
at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investments	13	**120,138**	120,138
Deferred tax asset	19	**54**	54
		120,192	120,192
Current assets			
Trade and other receivables	16	**11,284**	27,717
Cash and cash equivalents		**3**	3
		11,287	27,720
Total assets		**131,479**	147,912
Liabilities			
Current liabilities			
Trade and other payables	17	**107,297**	123,018
		107,297	123,018
Net current liabilities		**(96,010)**	(95,298)
Non-current liabilities			
Interest rate swaps	15	-	591
		-	591
Total liabilities		**107,297**	123,609
NET ASSETS		**24,182**	24,303

The notes on pages 20 to 49 form part of these financial statements.

Havana Holdings (UK) Limited

Company statement of financial position
at 31 December 2020 *(continued)*

	Note	2020 £'000	2019 £'000
Issued capital and reserves			
Share capital	20,21	**42,500**	42,500
Share premium	21	**5,000**	5,000
Accumulated losses	21	**(23,318)**	(23,197)
TOTAL EQUITY		**24,182**	24,303

In accordance with the exemption allowed in Section 408 of Companies Act 2006, a separate profit and loss account dealing with the results of the company has not been prepared. The company loss for the year is £121,000 (2019 – profit of £6,675,000).

The financial statements on pages 11 to 49 were approved and authorised for issue by the Board of Directors on 28 September 2021 and were signed on its behalf by:

M A Cairns
Director

The notes on pages 20 to 49 form part of these financial statements.

Havana Holdings (UK) Limited

Consolidated statement of cash flows
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
(Loss)/profit before tax		**(17,444)**	3,967
Adjustments for:			
Depreciation of property, plant and equipment	11	**6,616**	6,315
Amortisation of right of use asset		**106**	147
Movement in interest rate swap	15	**-**	(419)
Finance income	9	**(448)**	(43)
Finance expense	9	**3,648**	3,795
		(7,522)	13,762
(Increase)/decrease in trade and other receivables		**6,068**	5,390
(Increase)/decrease in inventories		**71**	(53)
Increase/(decrease) in trade and other payables		**(3,944)**	1,136
Increase/(decrease) in pension asset		**142**	-
Cash generated from operations		**(5,185)**	20,235
Income taxes paid/(received)		**411**	(734)
Net cash flows from operating activities		**(4,774)**	19,501
Investing activities			
Purchases of property, plant and equipment		**(5,090)**	(2,684)
Interest received on bank deposits		**44**	43
Net cash (used in) investing activities		**(5,046)**	(2,641)
Financing activities			
Repayment of bank borrowings		**-**	(12,773)
Group loan received		**5,000**	-
Interest paid on borrowings		**(2,333)**	(212)
Interest paid on lease liabilities		**(197)**	(198)
Net cash (used in) financing activities		**2,470**	(13,183)
Net increase/(decrease) in cash and cash equivalents		**(7,350)**	3,677
Cash and cash equivalents at beginning of year		**19,066**	15,389
Cash and cash equivalents at end of year		**11,716**	19,066

The notes on pages 20 to 49 form part of these financial statements.

Havana Holdings (UK) Limited

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Accumulated losses £'000	Total equity £'000
31 December 2019	42,500	5,000	-	(24,747)	22,753
Comprehensive income for the year					
Loss for the year	-	-	-	(14,734)	(14,734)
Other comprehensive income	-	-	169,975	(316)	169,659
Total comprehensive profit for the year	-	-	169,975	(15,050)	154,925
31 December 2020	**42,500**	**5,000**	**169,975**	**(39,797)**	**177,678**

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
31 December 2018	**42,500**	**5,000**	**(31,987)**	**15,513**
Comprehensive income for the year				
Profit for the year	-	-	**3,662**	**3,662**
Other comprehensive income	-	-	**3,578**	**3,578**
Total comprehensive profit for the year	-	-	**7,240**	**7,240**
31 December 2019	**42,500**	**5,000**	**(24,747)**	**22,753**

The notes on pages 20 to 49 form part of these financial statements..

Havana Holdings (UK) Limited

Company of changes in equity
For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
31 December 2019	42,500	5,000	(23,197)	24,303
Comprehensive income for the year				
Loss for the year	-	-	(121)	(121)
Total comprehensive profit for the year	-	-	(121)	(121)
31 December 2020	**42,500**	**5,000**	**(23,318)**	**24,182**

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
31 December 2018	42,500	5,000	(29,872)	17,628
Comprehensive income for the year				
Profit for the year	-	-	6,675	6,675
Total comprehensive profit for the year	-	-	6,675	6,675
31 December 2019	**42,500**	**5,000**	**(23,197)**	**24,303**

The notes on pages 20 to 49 form part of these financial statements.

1 General information

Havana Holdings (UK) Limited ("the company") is a private company limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office can be found on the contents page and the nature of the company's operations and its principal activities are set out in the Strategic report on page 1.

2 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Sterling, which is also the group's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following items:

- Financial instruments - fair value through profit or loss
- Net defined benefit asset

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the group as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

2 Accounting policies *(continued)*

Basis of consolidation (continued)

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Going concern

The impact of the recent COVID-19 pandemic has required an update to the company's going concern analysis. Producing detailed forecasts in the current climate has been extremely challenging, and whilst the directors have confidence in the group to manage current fluctuations in trading, currently detailed forecasts have only been prepared until December 2021.

The group was able to refinance during 2020 and as a result has been able to amend the covenants applicable to the business, with the key covenant surrounding loan to value levels of which there is significant anticipated headroom.

The company is fortunate to benefit from the strong support of its parent company. The parent company has indicated that they would be willing to support the company should cash funding be required, and have formalised this through a binding letter of support. As part of their assessment of going concern, the directors of the company have considered the funding and liquidity position of their ultimate parent company to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they have made enquiries to the parent company's Board of Directors. Based on the above considerations, the expectation of the directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months and therefore it is appropriate to prepare the financial statements on a going concern basis.

Changes in accounting policies

New and amended standards and interpretations effective from 1 January 2020

There were a number of narrow scope amendments to existing standards which were effective from 1 January 2020. None of these had a material impact on the company.

- IFRS 16 Leases, amendments for COVID-19 related rent concessions
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting
- Estimates and Errors (Amendment - Definition of Material)
- Revised Conceptual Framework for Financial Reporting

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early.

The most significant of these which are all effective for the period beginning 1 January 2022 are:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

2 Accounting policies *(continued)*

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Long leasehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss. On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Long leasehold land and buildings	-	2% per annum straight line
Fixtures, fittings, tools and equipment	-	10% per annum straight line

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs').

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value.

Financial instruments

The company classifies its financial instruments in the following categories: at fair value through profit or loss; at fair value through other comprehensive income and at amortised cost. The company's instruments include trade and other receivables, trade and other payables and intercompany loans. Management determines the classification of the company's financial assets and liabilities at initial recognition.

2 Accounting policies *(continued)*

Financial assets

Trade and other receivables

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents

Cash and bank balances comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less. For the purpose of the Company's statement of cash flows, cash and cash equivalents include the cash and bank balances as defined above.

Fair value through profit or loss

This category comprises only in-the-money derivatives (see "Financial liabilities" section for out-of-money derivatives). They are carried in the Statement of financial position at fair value with changes in fair value recognised in the Consolidated statement of profit or loss in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Financial liabilities

Trade and other payables

Trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

Loans and other borrowings

Loans and other borrowings are initially recognised at the fair value of amounts received net of transaction costs. Loans and other borrowings are subsequently measured at amortised cost using the effective interest method.

Fair value through profit or loss

This category comprises only in-the-money derivatives (see "Financial liabilities" section for in-the-money derivatives). They are carried in the Statement of financial position at fair value with changes in fair value recognised in the Consolidated statement of profit and loss. The group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

2 Accounting policies *(continued)*

Leases

Identifying Leases

The group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The group obtains substantially all the economic benefits from use of the asset; and
(c) The group has the right to direct use of the asset.

The group considers whether the supplier has substantive substitution rights. If the supplier does have those rights the contract is not identified as giving rise to a lease. In determining whether the group obtains substantially all the economic benefits from use of the asset, the group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the group has the right to direct use of the asset, the group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset

2 Accounting policies *(continued)*

***Leases** (continued)*

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Share capital

Financial instruments issued by the group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The group's ordinary shares are classified as equity instruments.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the Consolidated statement of comprehensive income in the year to which they relate.

2 Accounting policies *(continued)*

Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

Revenue

Revenue arises from the provision of services where these activities give rise to economic benefits received and receivable by the company on its own account and result in increases in equity. Revenue is the full amount that the customers pays for our hotel operations.

Provided the amount, if applicable, can be measured reliably and it is probable that the company will receive the consideration, revenue for services is recognised from hotel operations, including the rental of rooms and the sale of food and beverages.

Amounts paid to the hotel operator, Hyatt, representing points earned by customers for being members of the Hyatt Group loyalty scheme are shown as a deduction from revenue.

Consideration received in advance for which the revenue recognition criteria above have not been satisfied are deferred until such time as the revenue recognition criteria have been satisfied.

Government grants

Grants of a revenue nature are recognised in profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme from which the company has benefited from government assistance.

Interest income

Income is recognised as interest accrues.

2 Accounting policies *(continued)*

Foreign currency

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company; or

- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Income tax is charged or credited directly to other comprehensive income if it relates to items that are credited or charged to other comprehensive income otherwise income tax is recognised in the profit or loss.

3 Critical accounting estimates and judgements

The group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3 Critical accounting estimates and judgements *(continued)*

- *Fair value measurement*

  A number of assets and liabilities included in the group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

  - *Level 1*: Quoted prices in active markets for identical items (unadjusted)
  - *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
  - *Level 3*: Unobservable inputs (i.e. not derived from market data).

  The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. Derivative financial instruments (notes 4 and 15) and defined benefit pension asset (note 22) are measured at fair value.

- *Impairment of intercompany loans*

  Impairment provisions for amounts due between companies across the group are recognised based on a forward looking expected credit loss model. Management has reviewed the intercompany loans granted to and by the entity. Based on their assessment they believe that credit risk has not increased significantly since initial recognition and there is no difference between the contractual and expected future cash flows of those intercompany loans, which have all been documented. As a result, none of those loans have been credit impaired at the reporting date. Management will keep monitoring at each reporting date.

- *Judgement in identifying whether a contract includes a lease*

  At inception of a contract, an assessment is made whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- *Incremental borrowing rates used to measure lease liabilities*

  Where the interest rate implicit in the lease cannot be readily determined, lease liabilities are discounted at the lessee's incremental borrowing rate. This is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities and the corresponding right-of-use assets (note 12). To determine the incremental borrowing rate the company uses recent third-party financing as a starting point, and adjusts this for conditions specific to the lease such as its term and security. The company used incremental borrowing rates specific to each lease which ranged between 2.16% and 3.25%.

4 Financial instruments - Risk Management

The group is exposed through its operations to the following financial risks:

- Credit risk;
- Interest rate risk; and
- Liquidity risk.

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the group, from which financial instrument risk arises, are as follows:

- Trade and other receivables;
- Cash and cash equivalents;
- Trade and other payables;
- Bank loans; and
- Interest rate swaps.

(ii) Financial instruments by category

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at amortised cost	
	2020	2019	2020	2019
Group	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	-	**11,719**	19,066
Trade and other receivables	-	-	**52,429**	5,794
Total financial assets	-	-	**64,148**	24,860

	Financial assets at fair value through profit or loss		Financial assets at amortised cost	
	2020	2019	2020	2019
Company	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	-	**3**	3
Trade and other receivables	-	-	**11,284**	27,717
Total financial assets	-	-	**11,287**	27,720

4 Financial instruments - Risk Management *(continued)*

(ii) Financial instruments by category (continued)

Financial liabilities	**Financial liabilities at fair value through profit or loss**		**Financial liabilities at amortised cost**	
	2020	**2019**	**2020**	**2019**
Group	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	-	-	**4,782**	3,027
Loans and borrowings	-	-	**180,429**	108,070
Interest rate swaps	-	591	-	-
Total financial liabilities	-	591	**185,211**	111,097

Financial liabilities	**Financial liabilities at fair value through profit or loss**		**Financial liabilities at amortised cost**	
	2020	**2019**	**2020**	**2019**
Company	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	-	-	**107,161**	108,076
Interest rate swaps	-	591	-	-
Total financial liabilities	-	591	**107,161**	108,076

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

(iv) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

31 December 2019	**Level 1**		**Level 2**		**Level 3**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities						
Interest rate swaps (fair value through profit or loss)	-	591	-	-	-	-

4 Financial instruments - Risk Management *(continued)*

(iv) Financial instruments measured at fair value (continued)

The valuation techniques and significant inputs used in determining the fair value measurement of level 2 financial instruments are set out in the table below.

Financial instrument	**Valuation techniques used**	**Significant inputs**
Interest rate swap	Present value of fixed and floating leg	Calculated forward rates for floating coupon payments

There were no changes to the valuation techniques during the period.

General objectives, policies and processes

The Board has overall responsibility for the determination of the group's risk management objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to credit risk from credit sales. It is group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "AA-" are accepted.

Further disclosures regarding trade and other receivables are provided in note 16.

Cash in bank and short-term deposits

A significant amount of cash is held with the following institutions:

	2020 Rating (Fitch)	**2020 Cash at bank £'000**	**2019 Rating (Fitch)**	**2019 Cash at bank £'000**
Barclays Bank Plc	A+	**11,719**	A+	14,166
National Bank of Kuwait	AA-	**-**	AA-	4,900
		11,719		19,066

Management monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

4 Financial instruments - Risk Management *(continued)*

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The group monitors its risk to a shortage of funds by reviewing projected cash flows derived from operations and other movements in the group's assets and liabilities. The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Group **At 31 December 2020**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	5,122	-	-	-	-
Loans and borrowings	-	-	-	148,706	-
Total	5,122	-	-	148,706	-

Company **At 31 December 2020**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	107,297	-	-	-	-
Total	107,297	-	-	-	-

4 Financial instruments - Risk Management *(continued)*

Group **At 31 December 2019**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	63,557	4,454	62,876	-	-
Interest rate swaps	-	-	591	-	-
Total	63,577	4,454	63,467	-	

Company **At 31 December 2019**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	55,688	4,454	62,876	-	-
Interest rate swaps	-	-	591	-	-
Total	55,688	4,454	63,467	-	-

Capital Disclosures

The group monitors capital which comprises all components of equity (i.e. share capital, share premium and retained earnings).

The group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The group sets the amount of capital it requires in proportion to risk. The group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The group monitors capital using a loan to value ratio, which is debt as a percentage of the market value of properties. The group's policy is to keep the loan to value ratio no higher than 55%, in line with the requirements of the loan agreement in place at 31 December 2020.

5 Revenue

Revenue represents the invoiced value of goods and services, exclusive of VAT, provided to customers of the Hyatt Regency London - The Churchill Hotel, Portman Square, London. All revenue is generated in the United Kingdom.

The directors consider the whole of the activities of the group constitute a single class of business.

Expenses relating to the Hyatt loyalty scheme recognised in revenue are £213,236 (2019 - £1,012,000).

6 Other income

The Group utilised the Coronavirus Job Retention Scheme (CJRS) during the financial year ending 31 December 2020. Other income relates to government grants received in relation to the CJRS.

7 Operating (loss)/profit

	2020	2019
	£'000	£'000
This is arrived at after charging:		
Depreciation on fixed assets	**6,616**	6,315
Amortisation of right-of-use assets	**106**	146
Auditor's remuneration:		
- audit of the company's accounts	**21**	20
- audit of other group companies' accounts	**52**	50
- taxation services		
- other services	**21**	20
- assurance related services	**1**	1
Government grant furlough scheme	**(3,534)**	-

8 Employee benefit expenses

	2020	2019
	£'000	£'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**9,259**	11,938
Defined contribution pension cost	**281**	255
Defined benefit pension cost	**616**	634
Social security costs	**689**	1,067
	10,845	13,894

The average number of employees during the year was 317 (2019 - 399).

Key management personnel compensation

No directors received any remuneration during the year (2019 - £Nil).

9 Finance income and expense

Recognised in profit or loss

Finance income	**2020 £'000**	**2019 £'000**
Interest received on bank deposits	**45**	43
Gain on extinguishment of interest rate swaps	**403**	-
Finance expense		
Interest on bank loans	**3,060**	2,683
Interest on group borrowings	**311**	788
Amortisation of professional fees	**80**	126
Interest expense on lease liabilities	**197**	198
Total finance expense	**3,648**	3,795

The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:

	2020 £'000	**2019 £'000**
Total interest income on financial assets	**448**	462
Total interest expense on financial liabilities	**(3,648)**	(3,795)
	(3,200)	(3,333)

10 Tax expense

	2020 £'000	**2019 £'000**
Tax expense		
Current tax expense		
Current tax on profits for the year	-	1,398
Adjustment for under provision in prior periods	-	(321)
Current tax refund in the year	**(1,145)**	-
Reversal of prior period charges	**(1,565)**	-
Total current tax	**(2,710)**	1,076
Deferred tax expense		
Origination and reversal of temporary differences	-	(462)
Adjustment in respect of previous years	-	(309)
Total deferred tax income	-	(771)
Total tax charge/(credit) for the year	**(2,710)**	305

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

10 Tax expense *(continued)*

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2020	**2019**
	£'000	**£'000**
(Loss)/profit before tax	**(17,444)**	4,071
Tax using the company's standard tax rate of 19.00% (2019 – 19.00%)	**(3,314)**	773
Effects of:		
Expenses not deductible for tax purposes	**30**	8
Adjustment for under provision in previous periods	**-**	(308)
Fixed asset differences	**40**	37
Other differences	**(17)**	(181)
Impact of change in tax rates	**-**	(24)
Deferred tax not recognised	**551**	-
Total tax (credit)/charge	**(2,710)**	305

Factors that may affect future tax expenses

The effects of changes to the corporation tax rates substantively enacted as part of the Finance Act 2016 on 15 September 2016, legislated for a reduction of UK corporation tax to 17% effective from 1 April 2020. On 17 March 2020, it was announced that this change was to be reversed and the rate remains at 19% from 1 April 2020. This change was substantively enacted on 17 March 2020. On 3 March 2021, it was announced that the main rate of corporation tax would increase to 25% with effect from 1 April 2023. Deferred taxes at the reporting date have been measured and reflected in these financial statements using the substantively enacted tax rate at the year-end of 19%. There were no other factors that may affect future tax charges.

Estimates and assumptions

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Tax on each component of other comprehensive income is as follows:

		2020			**2019**	
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Actuarial (loss)/gain on defined benefit pension schemes	**(394)**	**78**	**(316)**	4,244	(666)	3,578

11 Property, plant and equipment

Group	**Long** leasehold land and buildings £'000	**Fixtures,** fittings and equipment £'000	Total £'000
Cost			
At 1 January 2019	168,031	55,099	223,130
Additions	-	2,685	2,685
At 31 December 2019	168,031	57,784	225,815
At 1 January 2020	168,031	57,784	225,815
Additions	-	5,091	5,091
Revaluation	204,333	-	204,333
At 31 December 2020	**372,364**	**62,875**	**435,239**
Accumulated depreciation			
At 1 January 2019	46,726	28,511	75,237
Depreciation	2,787	3,528	6,315
At 31 December 2019	49,513	32,039	81,552
At 1 January 2020	49,513	32,039	81,552
Depreciation	2,787	3,829	6,616
At 31 December 2020	**52,300**	**35,868**	**88,168**
Net book value			
At 1 January 2019	121,305	26,588	147,893
At 31 December 2019	118,518	25,745	144,263
At 31 December 2020	**320,064**	**27,007**	**347,071**

Bank borrowings are secured on the group's leasehold land and buildings.

There were no fixed assets held within the company (2019 - £Nil).

Land and buildings classified as property, plant and equipment were valued on 31 December 2020. The valuation was carried out by external independent qualified valuers. The valuation technique used was as defined in the Royal Institution of Chartered Surveyors Red Book.

11 Property, plant and equipment *(continued)*

The group has chosen to move to the revaluation basis, as this better reflects the reality of the value of the group's assets and will assist the group in future when seeking asset backed financing. The movement in valuation has been recognised in the year, with uplifts being recorded in Other Comprehensive Income. The valuer's report for the year ended 31 December 2020 contained a 'material uncertainty' clause due to the disruption to the market at that date caused by COVID-19. The inclusion of this clause indicates that there is substantially more uncertainty than normal and therefore a higher likelihood that the assumptions upon which the external valuer has based its valuations prove to be inaccurate.

12 Leases

Nature of leasing activities (in the capacity as lessee)

The group's land and building lease activity relates entirely to the Hyatt Regency London. The lease payments are fixed, with no variable elements.

The group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

Reconciliation of right of use assets

	Land and Buildings *£'000*	Plant, machinery and motor vehicles *£'000*	Total *£'000*
At 1 January 2020	5,981	65	6,046
Additions	-	5	5
Disposals	-	(5)	(5)
Amortisation	(65)	(41)	(106)
At 31 December 2020	**5,916**	**24**	**5,940**

Lease liabilities

	Land and Buildings *£'000*	Plant, machinery and motor vehicles *£'000*	Total *£'000*
At 1 January 2020	6,092	57	6,149
Additions	-	3	3
Disposals	-	(5)	(5)
Interest expense on lease liabilities	196	1	197
Lease payments	(206)	(32)	(238)
At 31 December 2020	**6,082**	**24**	**6,106**

12 Leases *(continued)*

	Less than 1 Year *£'000*	1-2 Years *£'000*	2-5 Years *£'000*	Over 5 Years *£'000*	Total *£'000*
Current liabilities	26	-	-	-	26
Non-current liabilities	-	3	9	6,068	6,080
	26	**3**	**9**	**6,068**	**6,106**

13 Investments in subsidiaries

Company	**2020** **£'000**	**2019** **£'000**
Cost and net book value		
At 1 January and 31 December	**120,138**	120,138

The company's subsidiaries, owned directly or indirectly and included within the consolidated financial statements are as follows:

Name	**Principal activities**	**Description and proportion of shares held**	**Country of registration**
Primeairo Limited	Holding company	100% ordinary shares	England
International Hoteliers (UK) Limited *	Hotel owning company	100% ordinary shares	England
Churchill Group Limited *	Hoteliers	100% ordinary shares 100% deferred shares	England

** Shareholding indirectly held through Primeairo Limited*

14 Inventories

	Group 2020 **£'000**	**Group 2019** **£'000**
Goods for resale	**200**	271
Operating equipment	**296**	296
	496	**567**

15 Derivative financial instruments

Group and Company

Derivative financial liabilities	**2020 £'000**	**2019 £'000**
Derivatives not designated as hedging instruments:		
Interest rate swaps	-	591
Total derivatives	-	591
Less non-current portion:		
Interest rate swaps	-	(591)
Current portion	-	-

Interest rate swaps

The group manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Normally the group raises long-term borrowings at floating rates and swaps them into fixed rates.

16 Trade and other receivables

	Group 2020 £'000	**Group 2019 £'000**	**Company 2020 £'000**	**Company 2019 £'000**
Trade receivables	**392**	3,025	-	-
Prepayments and contract assets	**34**	842	-	-
Other receivables	**143**	2,771	**2**	2
Due from parent company	**20,137**	-	**11,282**	27,715
Other taxation and social security	**340**	-	-	-
Total trade and other receivables	**21,046**	6,638	**11,284**	27,717

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

The group does not hold any collateral as security.

As at 31 December 2020 trade receivables of £298,000 (2019 - £228,000) were past due but not impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

	2020 £'000	**2019 £'000**
1 to 3 months	**60**	98
3 to 6 months	**238**	130
	298	228

16 Trade and other receivables *(continued)*

Movements in the impairment allowance for trade receivables are as follows:

	2020 £'000	2019 £'000
At 1 January	-	-
Increase during the year	-	-
Receivable written off during the year as uncollectible	-	-
At 31 December	-	-

The movement in the impairment allowance for trade receivables has been included in the other operating charges line in the consolidated statement of comprehensive income. Other classes of financial assets included within trade and other receivables do not contain impaired assets.

17 Trade and other payables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade payables	**520**	2,768	-	-
Accruals and contract liabilities	**1,342**	18,742	136	14,942
Other taxation and social security	-	1,002	-	-
Other creditors	**3,234**	260	(57)	6
Lease liability current	**26**	45	-	-
Loan from related party	-	-	107,218	-
Total trade and other payables	**5,122**	22,817	**107,297**	14,948

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

18 Loans and borrowings

The book value and fair value of loans and borrowings are as follows:

Group	Book value 2020 £'000	Fair value 2020 £'000	Book value 2019 £'000	Fair value 2019 £'000
Current				
Loans from related party	-	-	32,422	32,422
Bank loans	-	-	75,648	75,648
Non-Current				
Bank loans	**150,000**	**150,000**	-	-
Total loans and borrowings	**150,000**	**150,000**	108,070	108,070

The bank loan presented in the balance sheet is offset against amortised debt issue costs totalling £1.294m.

18 Loans and borrowings (continued)

Company	Book value 2020 £'000	Fair value 2020 £'000	Book value 2019 £'000	Fair value 2019 £'000
Current				
Loans from related party	-	-	32,422	32,422
Bank loans	-	-	75,648	75,648
Total loans and borrowings	-	-	108,070	108,070

All loans and borrowings are denominated in Sterling.

19 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019 – 19.00%).

The movement on the deferred tax account is as shown below:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
At 1 January	**(15,403)**	(15,508)	**54**	65
Recognised in profit and loss				
Tax income	-	771	-	(11)
Recognised in other comprehensive income:				
Actuarial gain on defined benefit pension schemes	**77**	(666)	-	-
PPE revaluation	**(34,356)**	-	-	-
At 31 December	**(49,682)**	(15,403)	**54**	54

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) during the period are shown below:

19 Deferred tax *(continued)*

Details of the deferred tax liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

Group	**Asset 2020 £'000**	**Liability 2020 £'000**	**Net 2020 £'000**	**Charged/ (credited) to profit or loss 2020 £'000**	**Charged/ (credited) to equity 2020 £'000**
Accelerated capital allowances	723	-	723	-	-
Employee pension liabilities	-	(212)	(212)	-	78
Land and buildings	-	(45,948)	(45,948)	-	(34,358)
Other temporary and deductible differences	-	-	-	-	-
Net tax assets	723	(46,160)	(45,437)	-	(34,280)

Company	**Asset 2020 £'000**	**Liability 2020 £'000**	**Net 2020 £'000**	**Charged to profit or loss 2020 £'000**	**Charged to equity 2020 £'000**
Other temporary and deductible differences	-	-	-	-	-
Net tax assets	-	-	-	-	-

19 Deferred tax *(continued)*

Group

	Asset 2019 £'000	Liability 2019 £'000	Net 2019 £'000	Charged/ (credited) to profit or loss 2019 £'000	Charged/ (credited) to equity 2019 £'000
Accelerated capital allowances	707	-	707	515	-
Employee pension liabilities	-	(290)	(290)	-	(666)
Land and buildings	-	(15,874)	(15,874)	267	-
Other temporary and deductible differences	54	-	54	(11)	-
Net tax assets	761	(16,164)	(15,403)	771	(666)

Company

	Asset 2019 £'000	Liability 2019 £'000	Net 2019 £'000	Charged to profit or loss 2019 £'000	Charged to equity 2019 £'000
Other temporary and deductible differences	54	-	54	11	-
Net tax assets	54	-	54	11	-

A deferred tax asset has not been recognised for the following:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Unused tax losses	-	-	-	-

20 Share capital

	Authorised			
	2020 Number	2019 Number	2020 £'000	2019 £'000
Ordinary shares of £1 each	**100,000,000**	100,000,000	**100,000**	100,000

	Allotted, called up and fully paid			
	2020 Number	2019 Number	2020 £'000	2019 £'000
Ordinary shares of £1 each	**42,500,000**	42,500,000	**42,500**	42,500

21 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserves	**Description and purpose**
Called up share capital	Nominal value of share capital subscribed for.
Share premium	Amount subscribed for share capital in excess of nominal value.
Accumulated losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Revaluation reserve	Gains/losses arising net of taxes on the revaluation of the company's property (other than investment property). This reserve is not distributable to shareholders.

22 Defined benefit schemes

Defined benefit scheme characteristics and funding

The group operates a post-employment defined benefit scheme which is closed to new members and open for future accruals. The scheme provides employees with a pension on retirement.

The Scheme operates under UK legislation and is governed by a board of Trustees. The Trustees have the primary responsibility for governance of the Fund - including the setting of contribution rates subject to consultation/agreement with the company as required by the Fund's Trust Deed and Rules and overriding legislation. Benefit payments are from Trustee administered funds and Fund assets are held in Trust which is governed by UK regulation. The Trustees are comprised of representatives of the company and members in accordance with the Trust Deed and Rules.

The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website, www.thepensionregulator.gov.uk.

The most recent comprehensive actuarial valuation was carried out by the trustees of the Scheme as at 6 April 2019.

The key risks with the Scheme are the sensitivity of the defined benefit obligation to movements in the yields available on UK government gilts, longevity risk arising from member's life expectancy, the risk of underperformance of the Scheme's investments and risks of increases in the defined benefit obligation resulting from changes in legislation.

22 Defined benefit schemes *(continued)*

Estimates and assumptions

The costs, assets and liabilities of the defined benefit schemes operating by the group are determined using methods relying on actuarial estimates and assumptions. The group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the Consolidated statement of comprehensive income and the Consolidated statement of financial position.

Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of scheme assets		Net defined scheme asset/(liability)	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Balance on 1 January	**(43,870)**	(41,722)	**45,577**	39,514	**1,707**	(2,208)
Service cost - current	**(616)**	(677)	-	-	**(616)**	(677)
Service cost - past	-	-	-	-	-	-
Interest cost	**(821)**	(1,087)	**859**	1,033	**38**	(54)
Administrative costs	-	-	**(134)**	(232)	**(134)**	(232)
Included in profit or loss	**(1,437)**	(1,764)	**725**	801	**(712)**	(963)
Remeasurement loss (gain)						
(a) Actuarial (loss)/gain – demographic	**(5,137)**	(4,995)	-	-	**(5,137)**	(4,995)
(b) Return on plan assets (excluding interest)	**(168)**	5,320	**5,003**	6,005	**4,835**	11,325
(c) Actuarial (gain)/loss experience on DBO	**(92)**	(2,086)	-	-	**(92)**	(2,086)
Included in other comprehensive income	**(5,397)**	(1,761)	**5,003**	6,005	**(394)**	4,244
Employer contributions	-	-	**645**	634	**645**	634
Plan participant contributions	**(47)**	(49)	**47**	49	-	-
Benefits paid	**1,327**	1,426	**(1,327)**	(1,426)	-	-
Other movements	**1,280**	1,377	**(635)**	(743)	**645**	634
Balance on 31 December	**(49,424)**	(43,870)	**50,670**	45,577	**1,246**	1,707

22 Defined benefit schemes *(continued)*

Disaggregation of defined benefit scheme assets

The fair value of the assets is analysed as follows:

	2020 £'000	2019 £'000
Equity securities (quoted)	**8,385**	16,461
Bonds (quoted)	**37,569**	20,413
Real estate property	**4,245**	4,421
Other	**471**	4,282
	50,670	45,577

Prices for equity securities and bonds are quoted in active markets. The asset recognised for the defined benefit scheme is based on the assumption that the full surplus will ultimately be available to the company as a future refund of £1,246K.

The key risk to the Scheme is the increase/decrease in defined benefit obligation resulting from movements in bonds yields. To reduce this risk, the Scheme holds investments of UK government gilts and Corporate bonds.

These policies are consistent with those in the prior period.

Defined benefit obligation - actuarial assumptions

The principal actuarial assumptions used in determining calculating the present value of the defined benefit obligation of the scheme (weighted average) include:

	2020	2019
Discount rate	**1.30%**	1.90%
Rate of growth in future salaries	**3.25%**	3.25%
Rate of increase in inflation	**3.25%**	3.25%
Rate of pension increases (in-payment)	**5.00%**	5.00%
Rate of pension increases (deferred)	**2.25%**	2.30%
Life expectancy from age 65 (currently aged 65 years old)		
- Males	**22.6**	22.6
- Females	**24.9**	24.9
Life expectancy from age 65 (reaching age 65 in 15 years time)		
- Males	**24.2**	24.2
- Females	**26.6**	26.6

The weighted-average duration of the defined benefit obligation at 31 December 2020 was 18 years.

22 Defined benefit schemes *(continued)*

Defined benefit obligation - sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumption constant, is presented in the table below:

		Defined benefit obligation	
Actuarial assumption	**Reasonably possible change**	**Increase**	**Decrease**
Discount rate	(+/- 0.25%)	(2,141)	2,288
Price inflation	(+/- 0.25%)	635	(612)
Mortality	Increase of 1 year in expected lifetime of plan participants	3,045	

23 Provisions

	2020 £'000	2019 £'000
Legal disputes	**250**	250

A provision has been made for a claim against the group.

24 Related party transactions and ultimate parent company

The group's immediate parent company is Constellation Hotels Holding Ltd S.C.A, a company registered in Luxembourg. The ultimate parent company is Prime Capital SA, a company registered in Luxembourg. The beneficial owner is Sheikh Hamad bin Jassim bin Jabel Al Thani.

As at the year end, the company is owed an amount of £20,137,000 from the parent company Constellation Hotels Holding Ltd S.C.A, (2019 – amounts owed to the parent company £32,422,000). During the year, interest of £311,000 (2019 - £788,000) was charged on balances due to the parent company, which has been settled during the year.

During the year, the company has earned management charge income of £1,801,000 (2019 - £4,074,000) from subsidiary Churchill Group Limited. Dividend income of £nil (2019 - £7,227,000) was declared by Churchill Group Limited and recognised as income in the books of intermediate holding companies and the company. As at the year end, an amount of £27,714,000 (2019 - £32,422,000) was due to the company by subsidiary Churchill Group Limited.

Deutsche Bank Luxembourg S.A has a charge over the assets and leasehold property held by the company in relation to The Churchill Hotel. This charge is in place in relation to the bank loan held by one of the company's parent undertakings, International Hoteliers (UK) Limited. At 31 December 2020, the balance due from International Hoteliers (UK) Limited to Deutsche Bank Luxembourg S.A. was £150,000,000.

Details of directors' and key management personnel remuneration are given in note 8.

25 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2020 £'000	2019 £'000
Cash at bank available on demand (Note 4)	**11,708**	18,995
Cash on hand	**11**	71
	11,719	19,066

There were no significant non-cash transactions in the year.

Non-cash transactions from financing activities are shown in the table below:

	Non-current loans and borrowings £'000 (note 18)	Current loans and borrowings £'000 (note 18)	Interest accrual £'000	Interest rate swap liabilities £'000 (note 15)
At 1 January 2020	75,648	32,422	17,412	591
Cash flows				
Loan from parent	72,978	-	-	-
Non cash flows:				
- Amortisation of fees	80	-	-	-
- Fair value changes	-	-	-	(591)
- Interest accruing in period	-	(699)	3,259	-
At 31 December 2020	**148,706**	**31,723**	**20,671**	**-**

26 Post balance sheet events

There have been no post balance sheet events that would require adjustment to or disclosure in the financial statements for the year ended 31 December 2020.