Capital Hill Hotels Limited

Annual report and financial statements

31 December 2020

Macfarlanes LLP
20 Cursitor Street
London
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Annual report and financial statements

for the year ended 31 December 2020

Directors and advisers

Directors
Z E Guiziri
J A Thani
F Bakhos
K Cooper

Registered office
67 Brook Street
London
United Kingdom W1K 4NJ

Strategic report

Principal activity

The principal activity of the Group headed by Capital Hill Hotels Limited ('the Company') was the ownership and operation of two five-star hotels in central London – St Martins Lane and Sanderson. However the Company resolved in December 2019 to sell its fully owned subsidiary Capital Hill Hotels Group Europe Ltd (owner and operator of St Martins Lane and Sanderson) to a third party for an amount of £255 million less the shareholder debt and plus the NAV Excess/less NAV shortfall as applicable. The sale was completed on 7 January 2020, since then, the Company has no activity anymore.

Section 172(1) statement

Information required under s172(1) of the Companies Act 2006 which is not documented below is shown within other sections of this report.

The directors have acted in a way that they consider to be most likely to promote the success of the Company for the benefits of all stakeholders; fostering high standards, good governance, an appropriate code of conduct and the need to act fairly. The directors consider that the Company's key stakeholders are its clients, owners, suppliers and the local community. It is considered vital that strong relationships are built with key stakeholders, which are both meaningful and mutually beneficial. Appropriate due diligence is done before entering into new relationships with any key suppliers to ensure the propriety of business operations, including considerations of environmental and social responsibilities.

Fady BAKHOS

Director

20 December 2021
Registered No. 07785139

Directors' report

The Directors present their report and the financial statements of Capital Hill Hotels Limited ('the Company') for the year ended 31 December 2020. The Company is registered in England and Wales (Company number 07785139).

Key events

On 17 December 2019, the Board of Directors of the Company resolved to dispose its fully owned direct subsidiary Capital Hill Hotels Group Europe Ltd, owner and operator of the group's two hotels, to a third party for an amount of £255million less the shareholder debt and plus the NAV Excess/less NAV shortfall as applicable.

The disposal was completed on 7 January 2020, and the control of the subsidiary and its direct subsidiary, Capital Hill Hotels London Limited was transferred at this date. Since then, the Company had no activity.

Results and dividends

The results of the year are set out in the accompanying Income Statement which shows a benefit after tax for the year ended 31 December 2020 of £70,7k (2019 – profit of £1,2k).

The Directors recommend the payment of a dividend for the year ended 31 December 2020 of £145,92k (2019 – £nil).

Directors and their interests

The Directors who served during the year ended 31 December 2020 and up to the date of this report are as follows:

Z E Guiziri until 8 November 2021 (date of resignation)
J A Thani
F Bakhos
K Cooper

According to the register of Directors' interests, the Director who held office at the end of the year had no interest in the shares of the Company, nor were any rights to subscribe for shares in the Company granted to, or exercised by, any of the directors.

Future developments

The Directors anticipate that the Company will continue as a non-trading entity for the foreseeable future following the disposal of its subsidiaries. There are no plans to liquidate the Company at the present time as it is possible the entity may become an investment holding company in the future.

Events since the statement of financial position date

On 11 March 2020, the World Health Organization ('WHO') raised the level of the public health emergency caused by the outbreak of coronavirus (COVID-19) to an international pandemic. The rapidly evolving circumstances both nationally and internationally entail an unprecedented health crisis which will have an impact on the macroeconomics and the global hospitality sector. The impact of the COVID-19 pandemic on the business is discussed, however as the Company has no activity since January 2020, the pandemic will have no impact on the Company.

Since the transfer of the ownership of its direct subsidiary Capital Hill Hotels Group Europe Ltd, to a third party, completed on 7 January 2020, the Company had no activity anymore. The Directors have evaluated all subsequent events from the balance sheet date and no material events have occurred subsequent to 31 December 2020 which require disclosure.

Directors' report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the Company's 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 Company's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Company's 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 Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Company's 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 Group and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to meet its liabilities as and when they fall due for the foreseeable future. At 31 December 2020, the Company has net current assets of £145,920k (2019: £75,120k) and net assets of £145,920k (2019: £75,120k).

In preparing their assessment of the going concern basis of preparation, the Directors have considered the basis of preparation for the Company only on the basis that the Company's subsidiaries were sold on 7 January 2020.

Having considered the support provided by the Company's immediate parent company and the forecast cash flows of the entity, the Directors believe that this will enable the Company to continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment.

Consequently, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Approved by the Board of Directors and signed on behalf of the Board

Fady BAKHOS
Director

20 December 2021

Company statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Gross profit		--	--
Administrative expenses		(1,556)	(29)
Operating loss	4	(1,556)	(29)
Unrealized gain on derivatives	12	--	512
Gain on disposal of investments		72,347	--
Finance expenses	5	(54)	(3,519)
Finance income	6	63	3,037
Profit for the financial year		70,800	1
Other comprehensive income			
Other comprehensive income/(loss) for the year, net of tax		--	--
Total comprehensive income for the year		70,800	1

The accompanying notes are an integral part of these financial statements.

Company statement of financial position

at 31 December 2020

	Note	*2020* *£ 000*	*2019* *£ 000*
Non-current assets			
Investment in subsidiaries	7	--	99,159
Current assets			
Financial assets	8	--	84,383
Amounts due from shareholder	9	145,992	--
Total assets		145,992	183,542
Current liabilities			
Trade and other payables	10	(72)	(13,486)
Interest bearing loans and borrowings	11	--	(94,264)
Derivative liability	12	--	(672)
Net current assets		**145,920**	**75,120**
Net assets		**145,920**	**75,120**
Capital and reserves			
Called up share capital	13	–	–
Shareholder advance		78,100	78,100
Profit and loss account	7	67,820	(2,980)
Shareholder' funds		**145,920**	**75,120**

The financial statements of Capital Hill Hotels Limited, registered number 07785139, were approved by the Board of Directors and authorised for issue on 20 December 2021.

For the year ending 31 December 2020 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The Sole Member has not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

Signed on behalf of the Board of Directors

Fady BAKHOS
Director

The accompanying notes are an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2020

	Shareholders advance	*Profit and loss account*	*Total*
	£000	*£000*	*£000*
At 1 January 2019	78,100	(2,981)	75,119
Profit for the year	--	1	1
Total comprehensive 'ncome for the year	–	1	1
At 31 December 2019	78,100	(2,980)	75,120
Profit for the year	–	70,800	70,800
Total comprehensive 'ncome for the year	–	70,800	70,800
At 31 December 2020	78,100	67,820	145,920

The accompanying notes are an integral part of these financial statements.

Company cash flow statement

for the year ended 31 December 2020

	Notes	*2020* *£000*	2019 *£000*
Profit before taxation		**78,100**	1
Finance income	6	(63)	(3,037)
Finance expense	5	45	3,357
Unrealized gain on derivatives	12	--	(512)
Gain on disposal		(72,347)	--
Amortization of arrangement fees	11	10	162
Working capital adjustments			
Decrease in payables		(5,745)	(29)
Net cash flow from operating activities		--	--
Investing activities			
Purchase of property, plant and equipment		--	--
Net cash flow used in investing activities		--	--
Financing activities			
Proceeds from shareholders loan		--	--
Repayment of borrowings		--	--
Interest paid		--	--
Net cash flow used in financing activities		--	--
Net decrease in cash and cash equivalents		--	--
Cash and cash equivalents at the beginning of the year		--	--
Cash and cash equivalents at 31 December		–	--

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

at 31 December 2020

1. General information

Capital Hill Hotels Limited is a private Company limited by shares incorporated and domiciled in England and Wales. The principal activity of the Company was the ownership and operation of two five-star hotels in central London – St Martin's Lane and Sanderson. The principal accounting policies adopted are set out in note 3.

However the Company resolved in December 2019 to sell its fully owned subsidiary Capital Hill Hotels Group Europe Ltd (owner and operator of St Martins Lane and Sanderson) to a third party for an amount of £255 million less the shareholder debt and plus the NAV Excess/less NAV shortfall as applicable. The sale was completed on 7 January 2020, since then, the Company has no activity anymore.

2. Basis of preparation

The Company has adopted International Financial Reporting Standards (IFRSs) as adopted by the European Union as the accounting standards for the financial statements. The financial statements have been prepared in accordance with IFRSs as adopted by the European Union and interpretations issued by the International Financial Reporting Interpretation Committee (IFRICs), as they apply to the financial statements of the Company for the year ended 31 December 2020. The financial statements are prepared on the historical cost basis, except for derivative financial instruments. The financial statements are presented in British Pounds and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

For the year ending 31 December 2020, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

New and amended standards adopted by the Company:

Several other standards, interpretations and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has adopted these standards, interpretation or amendments but they did not have a material impact on the financial statements.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

Notes to the financial statements (continued)

at 31 December 2020

2. Basis of preparation (continued)

New and amended standards adopted by the Company: (continued)

The Conceptual Framework for Financial Reporting (continued)

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company is not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments to the definition of material has no significant impact on the Company's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

These amendments have no impact on the financial statements of the Company as there is no hedge accounting within the Company.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Notes to the financial statements (continued)

at 31 December 2020

2. Basis of preparation (continued)

Standards issued but not effective: (continued)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Amendments to IFRS 16: Covid-19-Related Rent Concessions

In May 2020, the IASB published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16)' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Company will apply these amendments when they become effective. They will not have an impact on the Company's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

In August 2020, the IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021.

These amendments will not have impact on the financial statements of the Company as there is no hedge accounting within the Company.

Notes to the financial statements (continued)

at 31 December 2020

2. Basis of preparation (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 3: Conceptual Framework

In May 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 37 regarding onerous contracts

In May 2020, the IASB issued 'Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

2018-2020 annual improvements cycle

In May 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 16 regarding proceeds before intended use

In May 2020, the IASB issued 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 1 on classification

In January 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022, however, their effective date has been delayed to 1 January 2023.

Going concern

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to meet its liabilities as and when they fall due for the foreseeable future. At 31 December 2020, the Group has net current assets of £145,920k (2019: £75,120k) and net assets of £145,920k (2019: £75,120k).

In preparing their assessment of the going concern basis of preparation, the Directors have considered the basis of preparation for the Company only on the basis that the Company's subsidiaries were sold on 7 January 2020.Having considered the support provided by the Company's immediate parent company and the forecast cash flows of the entity, the Directors believe that this will enable the Company to continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment.

Consequently, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes to the financial statements (continued)

at 31 December 2020

3. Principal accounting policies

Current versus Non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments are stated at cost less provision for impairment.

Where there are indicators of impairment of investments in subsidiaries which indicate that the carrying value may not be recoverable, the Company performs impairment tests on these investments by comparing the carrying value with its recoverable amount; being the higher of its fair value less costs to sell and its value in use.

Any dividend is recognized when the right to receive the dividend is established.

Deferred taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are generally recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The reversal of accumulated depreciation served to increase the deferred tax liability in respect of fixed asset timing differences.

Notes to the financial statements (continued)

at 31 December 2020

3. Principal accounting policies (continued)

Financial instruments

Financial assets

Trade and other receivables

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

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the statement of profit or loss and other comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discontinued at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and some intercompany loans, the Company applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Financial Liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Ordinary shares

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

Ordinary dividends are recognised in the period in which they are paid to shareholders.

Notes to the financial statements (continued)

at 31 December 2020

3. Principal accounting policies (continued)

Derivative instruments and hedging

The Company used derivative financial instruments in the form of interest rate swaps to reduce its exposure to interest rate fluctuations on the floating rate bank loan. The Company has determined that its interest rate swap does not qualify for hedge accounting under IFRS. Accordingly, such derivative instruments are initially recognised at fair value on the date in which the derivative is entered into and subsequently re-measured at fair value on the balance sheet and changes to the fair value are recorded in profit or loss.

Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The significant estimates and assumptions in determining the financial condition and results of the Group are as follows:

Estimates

- The depreciable lives of property, plant & equipment

Judgements

- The recoverability of any recognised deferred taxation
- Classification of disposal group held for sale and discontinued operations

Notes to the financial statements (continued)

at 31 December 2020

4. Operating loss

The operating loss for the year is composed of £1,556k of administrative expenses relating to the Company (2019: £29).

5. Finance expense

	2020	*2019*
	£000	*£000*
Interest on bank loans	42	3,357
Forex exchange loss	2	--
Other finance expense	10	162
Total	54	3,519

6. Finance income

	2020	*2019*
	£000	*£000*
Interest on loan to subsidiary	58	3,035
Forex exchange gains	--	2
Other finance income	5	--
	63	3,037

7. Investment in subsidiaries

	31/12/2020	*31/12/2019*
	£000	*£000*
Investment in subsidiaries	--	99,159

At 31 December 2019, the Company owns 100% of the ordinary shares of Capital Hill Hotels Group Europe Limited, a Company incorporated in England and Wales, whose principal activity is the ownership and operation of two hotels in London through its direct subsidiary Capital Hill Hotels Group London Limited.

On 17 December 2019, the Board of Directors of the Company resolved to dispose its fully owned direct subsidiary Capital Hill Hotels Group Europe Limited to a third party for an amount of £255million less the shareholder debt and plus the NAV Excess/less NAV shortfall as applicable.

The disposal was completed on 7 January 2020, and the control of the subsidiary and its direct subsidiary, was transferred at this date.

Notes to the financial statements (continued)

at 31 December 2020

8. Financial assets

	31/12/2020	*31/12/2019*
	£000	*£000*
Loan notes due from Company undertakings	--	84,383
Non-current	--	--
Current	--	*84,383*

The loan note due from the Company undertakings has been fully reimbursed at completion of the sale of the Company's direct subsidiary Capital Hill Hotels Group Europe Limited (2019: £84,383k). It was an unsecured loan from Capital Hill Hotels Limited to Capital Hill Hotels Group London Limited executed on 30 November 2016 (retrospectively applied and drawn down on 18 August 2015) and which was repayable on 18 August 2020. This facility carried a fixed annual interest rate.

9. Amounts due from shareholder

	31/12/2020	*31/12/2019*
	£000	*£000*
Amount due from related parties	145,992	--
Total	145,992	--

Amounts due from shareholder is constituted of a net receivable from the direct parent Company amounting to £145,992k (2019: payable of £11,980k; see note 10).

10. Trade and other payables

	31/12/2020	*31/12/2019*
	£000	*£000*
Trade payables	29	–
Amounts due to group undertakings	–	1,506
Amounts due to related parties	--	11,980
Other payables	43	–
Total	72	13,486

Notes to the financial statements (continued)

at 31 December 2020

11. Interest bearing loans and borrowings

Bank facility repayable as follows:

	31/12/2020	*31/12/2019*
	£000	*£000*
In one year or less	--	94,274
In more than one year, but not more than two years	--	--
Less: future finance charges	--	(10)
Total	--	94,264

The amortisation of the facility fees amounts to £10k (2019: £162k).

The bank facility has a variable interest rate of LIBOR plus 1.6%. The loan principal of £122,000k is from a UK commercial banks executed on 12 August 2015 and due to expire on 12 August 2020.

On 7 January 2020, the bank loan was repaid following the disposal of Capital Hill Hotels Europe Ltd in an amount of £82,990k. The remaining £11,292k has been assigned to Havana Holdings UK Ltd, a related group company.

12. Derivatives

	31/12/2020	*31/12/2019*
	£000	*£000*
Interest Rate Swap @ 1.646%	--	672
Total	--	672

During 2015, the Company entered into an interest cap agreement with two UK based commercial banks, for a notional amount of the new syndicated loan obtained during the year 2015, whereby it capped its interest rate risk at 1.646%. The cap is used to hedge the exposure to the variable interest rate on the loan borrowings.

The fair value of the derivative instruments was determined using widely accepted valuation techniques including discounted cash flow analysis based on the contractual terms of the derivatives using the period of maturity of each instrument and observable market-based inputs, which include interest rate curves and implied volatilities. In addition, the Company considers counterparty risk of non-performance in determining the fair value of its derivative instruments by estimating the current and potential future exposure under the derivative instruments. The counterparty risk did not comprise a material portion of the fair value of the derivative instruments. Therefore, the fair values determined are considered to be based on significant other observable inputs (level 2).

Notes to the financial statements (continued)

at 31 December 2020

12. Derivatives (continued)

Movements of the derivative financial instruments are as follows:

	31/12/2020	*31/12/2019*
	£000	*£000*
At 1 January	672	1,184
Fair value adjustment (gain)	(672)	(512)
At 31 December	--	672

13. Called up share capital

	31/12/2020	*31/12/2019*
	£	*£*
Allotted, called up and fully paid 1 ordinary share of £1 each	1	1
Total	1	1

Capital policy

The capital for the Company is provided via funding from the parent and equity contributions and the primary objective is to generate a return for its shareholders.

Notes to the financial statements (continued)

at 31 December 2020

14. Financial instruments and risk management

Accounting classifications and fair value

The following tables show the carrying amount of financial assets and liabilities including their values in the fair value hierarchy. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				*Fair value*
	Loans and Receivables	*Liabilities at Amortised cost*	*Fair value hedging instruments*	***Total carrying amount***	***Total***
	£000	*£000*	*£000*	***£000***	***£000***
31 December 2020					
Amounts due from related parties	145,992	--	--	**145,992**	**145,992**
Trade payables	--	(29)	--	**(29)**	**(29)**
Other payables	–	(43)	--	**(43)**	**(43)**
Total	–	(72)	--	145,920	145,920

	Carrying amount				*Fair value*
	Loans and Receivables	*Liabilities at Amortised cost*	*Fair value hedging instruments*	***Total carrying amount***	***Total***
	£000	*£000*	*£000*	***£000***	***£000***
31 December 2019					
Investment in subsidiaries	99,159	--	--	**99,159**	**99,159**
Amounts due from related parties	84,383	--	--	**84,383**	**84,383**
Amounts due to related parties	--	(13,486)	--	**(13,486)**	**(13,486)**
Loan and borrowings	--	(94,264)	--	**(94,264)**	**(94,264)**
Derivative liability	--	--	(672)	**(672)**	**(672)**
Total	183,542	(107,750)	(672)	75,120	75,120

Estimation of fair values

The principal methods and assumptions used in estimating the fair values of financial assets and liabilities are explained below.

Trade and other receivables/payables

For the receivables and payables with a remaining term of less than one year or demand balances, the carrying value less impairment provision, where appropriate, is a reasonable approximation of fair value.

Loans

For bank loans and borrowings, the fair value is calculated based on discounted cash flow techniques.

Notes to the financial statements (continued)

at 31 December 2020

14. Financial instruments and risk management (continued)

Financial risk management

The Company is exposed to various financial risks that include credit risk, liquidity risk and market risk. The Company has a risk management framework in place, which seeks to limit the impact of these risks on the financial performance of the Company. It is the policy of the Company to manage these risks in a non-speculative manner.

This note presents information about the Company's exposure to each of the above risks and the objectives, policies and processes for measuring and managing the risks. Further quantitative and qualitative disclosures are included throughout this note.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Exposure to credit risk

Credit risk arises from granting credit to customers and from investing cash and cash equivalents with banks and financial institutions.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk or dependence on individual customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Cash and short-term bank deposits

The Company is not exposed to credit risk as it has no bank accounts nor bank deposits.

Trade receivables

The Company has detailed procedures for monitoring and managing the credit risk related to trade receivables. Trade receivables are monitored by review of aged debtor reports by management.

The Company has no outstanding trade receivables at 31 December.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due. The ongoing development works are fully funded by the loans advanced by the parent company and the Group can arrange an overdraft facility if needed.

Bank loans

Interest of £42k was recognised in the current financial year (2019 – £3,357k).

Overdraft facilities

The Group has no undrawn overdraft or other loan facilities.

Notes to the financial statements (continued)

at 31 December 2020

14. Financial instruments and risk management (continued)

Contractual maturities

The following are the contractual maturities of the Company's financial liabilities, including estimated interest payments.

	Carrying Amount Company	*Contractual cash flows*	*6 months or less*	*6 – 12 months*	*1 – 2 years*	*2 – 5 years*	*More than 5 years*
Group	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
At 31 December 2020							
Amount due from related parties	145,992	145,992	--	145,992	--	--	--
Trade payables	(29)	(29)	(29)	--	--	--	--
Other payables	(43)	(43)	–	(43)	–	–	–
Total	145,920	145,920	(29)	145,949	–	–	–

	Carrying Amount Company	*Contractual cash flows*	*6 months or less*	*6 – 12 months*	*1 – 2 years*	*2 – 5 years*	*More than 5 years*
Group	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
At 31 December 2019							
Amount due to related parties	(13,486)	(13,486)	(13,486)	--	--	--	--
Loan and borrowings*	(94,264)	(94,264)	(94,264)	--	--	--	--
Derivative liability*	(672)	(672)	(672)	--	--	--	--
Total	(108,422)	(108,422)	(108,422)	--	–	--	--

* The aging has been presented based on the contractual maturity. Following the disposal of the Company's subsidiary on 7 January 2020, the facility and the derivative were settled.

Notes to the financial statements (continued)

at 31 December 2020

14. Financial instruments and risk management (continued)

Market risk

Market risk is the risk that changes in market prices and indices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holdings of financial instruments. The Company is not currently exposed to interest rate risk as all borrowings are subject to fixed interest rates. Management believe exposure to foreign exchange rates is minimal.

Foreign exchange rate risk

The Company is not exposed to translation foreign exchange rate risk.

Interest rate risk

The Group is not currently exposed to interest rate risk as all borrowings are subject to fixed interest rates through an interest rate swap contract and the facility has been reimbursed on 7 January 2020.

15. Immediate and controlling party

The Company's immediate parent is Constellation Hotels Holding Limited S.C.A., a Company registered in Luxembourg.

The ultimate consolidating entity is Prime Capital SA a Company registered in Luxembourg.

The ultimate controlling party is His Excellency Sheikh Hamad Bin Jassim Bin Jaber Al Thani.

16. Related party balances and transactions

Capital Hill Hotels Limited has a receivable of £145,992k (2019: – payable of £11,980k) due by its sole shareholder, Constellation Hotels Holdings Limited S.C.A.

Capital Hill Hotels Limited has no bank facility anymore (2019: - £84,383k) and has no payable (2019 - £1,506k) due to Capital Hill Hotels Group London Limited.

17. Contingencies

There are no contingencies, which are required to be disclosed.

18. Subsequent events

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of the coronavirus (COVID-19) to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business.

The Directors have considered all subsequent events from the balance sheet date to the date of approval of the financial statements and no other material events have occurred subsequent to 31 December 2020 which require disclosure.