

**GLH Hotels Limited**

Annual report and financial statements

Registered number 00262958

30 June 2020



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## Strategic Report

The directors present their Strategic Report for the year ended 30 June 2020.

### Company status and principal activities

GLH Hotels Limited ('the Company') is a limited liability company domiciled and registered in England. The principal activity of the Company is the ownership and operation of hotels in the UK.

### Strategy and Developments

During the year ended 30 June 2020 the Company and its subsidiaries operated 16 hotels, which also comprises the 'Group'.

The Group continues to focus on driving value from its portfolio of hotels both through operational excellence and asset transformation.

During the prior financial year, work commenced on a refurbishment of The Grosvenor Hotel, which was rebranded as Amba Hotel Grosvenor. This work was completed in the current financial year.

The Group has loan borrowings of £151.5m (2019: £164.0m) of which £55.3m (2019: £55.2m) are listed on the London Stock Exchange. During the year £23.0m of the £110.0m principal bank loan was repaid and the maturity date of the remaining borrowings was revised to 30 September 2023. Details relating to all borrowing costs are set out in note 16. At the date of the approval of these financial statements a further £25.0m has been drawn down (further detail in note 27).

### Review of the business

In the past year, the Company and its subsidiaries ('the Group') have continued to operate in extremely challenging trading conditions for the hospitality industry mainly as a result of the unforeseen and unprecedented global issues brought about by the COVID-19 pandemic. As a result of the outbreak of COVID-19, and the UK wide lockdown enforced by the UK government from 23 March 2020, all hotels were temporarily closed. The combination of these factors has had a substantial impact on the Group's performance in the financial year. After the balance sheet date 7 hotels reopened, however all but 3 hotels closed again on 5 November as a result of the second UK wide lockdown. At the date of approval of the financial statements 10 hotels remained closed.

With the situation around the pandemic remaining very fluid and uncertain, the full impact will depend on a number of factors, including the duration and extent of the UK Government imposed restrictions as well as the potentially larger effect on long term consumer confidence. The directors are monitoring the situation very closely and implementing measures to minimise the impact of this risk but remain confident of the underlying fundamentals of the market the Group operates in.

As a result of the impact COVID-19 has had, the directors have taken immediate measures to ensure all costs have been reduced to minimum levels including contractual costs and critical operational spend required to maintain the hotels. Additionally, all available support to the Group has been explored and utilised including both the UK Government's Coronavirus Job Retention Scheme and the business rates holiday.

The consolidated results for the year ended 30 June 2020 show a 25% decrease in revenue due to the closure of the hotels. Despite a reduction in expenses in total, this did not prevent a loss for the year. Increased expenditure was seen as a result of the transition to IFRS 16, with charges for interest on the lease liabilities and depreciation on the right-of-use assets in the current financial year, of £34,271,000 and £14,996,000 respectively, compared to a property rent charge of £41,796,000 in the year ended 30 June 2019. Expenses also includes impairment of property, plant and equipment and right-of-use assets predominantly relating to Heathrow and Barbican hotels. Provisions have also been made of £5,247,000 in the current year in relation to legacy leases, see note 18 for details. In the current year the Group received and recognised the final compensation instalment of £12,526,000 in relation to the Government issued Compulsory Purchase Order on 23 February 2017, for the Euston hotel. All the above has resulted in an overall loss before tax for the year of £21,857,000 (2019: profit before tax £11,818,000).

The net asset position of the Group has reduced to £451.8m (2019: £575.9m), due to the impact of transition to IFRS 16 in the financial year, and loss for year.

The Key Performance Indicators (KPIs) used to measure trading performance of the hotel are occupancy percentage, average room rate (ARR) and revenue per available room (RevPAR).

KPIs: Movement vs. prior year	Year ended 30 June 2020 %	Year ended 30 June 2019 %
Occupancy (percentage points)	(29.9)	4.1
Average room rate (ARR)	4.8	3.6
Revenue per available room (RevPAR)	(26.8)	7.7

### Engaging with our stakeholders (section 172(1) statement)

The Directors have a duty to promote the success of the Company and the Group for the benefit of its members as a whole, having regard to the interests of our customers, our people, our relationship with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of business conduct.

Our key stakeholders are our customers, employees, lenders, landlords and the beneficiaries of the DBS pension scheme. All key group decisions consider the impact on relevant stakeholders. Increasingly, stakeholders are looking to understand our performance across multiple areas, from performance to products and services, innovation, governance and workplace practices. The Company endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of the different stakeholder groups do not align, the Group must decide on the best course to promote the Group's long-term success.

### Customers

Customers are the core focus of our business. We strive to deliver outstanding customer experiences in order to build long-term and sustainable relationships. Key issues for our customers include high quality service which meets their high expectations and competitive pricing.

## Strategic Report (continued)

### Engaging with our stakeholders (section 172(1) statement) (continued)

#### Employees

As a service organisation, our employees are critical to our business. We ensure our people are engaged and empowered to deliver the best service for our customers and be happier themselves.

The Group strives to ensure our employees maintain and embody the Group values. Our values encourage employees to:

- **Respect** our guests, our environment and each other,
- Have **integrity**, so are trusted to do what is right
- **Support** all colleagues to deliver the best results
- Take **ownership** of their goals and ambitions
- Work at **pace** and aim for 'right first time'
- Be a **team player** and work as part of an energetic and fun-loving team

See Employee matters section in the Directors' report for further information on how we engage with our employees.

#### Lenders

The Group prioritises strong relationships with its lenders and continues to build on long-term established relationships. These relationships work not just by fulfilling contractual performance obligations, but also include regular communications on business strategy and working as partners towards shared objectives.

#### Landlords

The location and quality of the Groups hotels underpins our business and is fundamental to the service we provide. Good relationships with the landlords of our properties (across multiple contractual relationships) are pivotal to ensure our properties are maintained to a high standard, offer a compelling offering to our guests and support the long-term growth strategy of the Group.

#### DBS Pension Scheme

The Group operates two defined benefit schemes, both of which are closed to new members and their assets are held in separate funds administered by Trustees.

The Group have nominated representatives on the board of trustees. They attend regular meetings to discuss relevant issues with the pension scheme administrators and external advisor to ensure the Group are fulfilling all requirements.

### Principal risks and uncertainties

Principal Risks	Mitigating Activities
<p><b>Brand reputation</b></p> <p>(1)The Company is reliant upon the reputation of the GLH Hotels Group ('the Group') brands. Any event that materially damages the reputation of one or more of the Group's brands and/or failure to sustain the appeal of the Group's brands to its customers may have an adverse impact on subsequent revenues from that brand or related operation.</p> <p>(2)The Group is also reliant upon the reputation of the Hard Rock International and Hard Rock Cafe ("Hard Rock") brands. Any event that materially damages the reputation of one or more of these brands and/or failure to sustain the appeal of these brands to its customers may have an adverse impact on subsequent revenues from that brand or related operation.</p>	<p>(1) Each of the brands in our portfolio are designed to meet specific guest needs. The consistency of our brands is managed through the brand standard requirements. We continually review ways to increase awareness and loyalty towards our brands.</p> <p>We are committed to conducting business in a responsible manner. We have put in place a set of internal policies and procedures, which are supported by training, monitoring and reporting.</p> <p>(2) Hard Rock has stipulated brand standards to be applied by all of their operations worldwide to ensure that the brand image and consistency is maintained. We are required to comply with these standards also. With a portfolio of operations around the globe they are required to continually review ways to increase awareness and loyalty towards their brands and have mitigations processes in place should anything occur which may challenge a brand.</p> <p>We also have a legal ability to walk away from the hotel franchise agreement should an event occur which meets certain criteria and means that we would prefer to operate the hotel under a different brand. However this would be seen as a last resort, and instead, we rely on robust governance and management of the relationships with Hard Rock to ensure that theirs and our best interests are served.</p>
<p><b>Political or economic uncertainty</b></p> <p>The Company and the Group are exposed to the risk of adverse political or economic developments. In particular, on 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further clarity is known regarding the terms in which the UK will exit, there is overall uncertainty on the impact for the Group. However, in terms of impact on revenue and profitability, the UK's exit has potential to impact in three primary ways:</p> <p>1) Changes in the GBP exchange rate may result in overseas travel to the UK being more or less attractive. To date, given the weakening of GBP relative to other major worldwide currencies, this has had a positive impact.</p>	<p>The Group operates a diverse range of brands, with hotels in the 3, 4 and 5 star markets. These brands have been designed to have international appeal, and the customer base is not concentrated in any specific geographical region. Although there may be a short period of hesitation with respect of tourism in the UK, we expect this not to have a significant impact on the Group's operations due to the reasons mentioned above.</p> <p>The Group retains a proactive focus on costs and in the event of a down-turn this enhanced competitiveness allows us to protect our margins.</p>

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

Principal Risks	Mitigating Activities
<p><b>Political or economic uncertainty (continued)</b></p> <p>2) UK domestic travel (both in terms of the corporate and leisure markets) may be impacted by overall economic growth predictions, and overall confidence.</p> <p>3) Should it become more difficult to visit the UK if legislation were to restrict movement into the country there would be an obvious impact on overseas demand.</p> <p>In terms of the Group's cost base, the largest impact is on our workforce. Similar to nearly all other business concentrated in London hospitality, our current workforce contains a diverse mix of nationalities. Whilst the wider impact of the UK's exit from the EU remains far from certain, any legislation that restricts freedom of movement of labour is likely to adversely impact both the availability and cost of labour.</p> <p>A negative impact on the Group's revenue and profitability will also have a direct impact on the valuation of property, plant and equipment, recoverability of company's investment in subsidiaries and other areas that depend on forecasts.</p> <p>The potential impact of Brexit and a "hard Brexit" is considered by the Group's Risk Management Committee periodically. The key risks of Brexit have always been assessed to fall into the areas mentioned above. Whilst the Group had plans in place to mitigate against these risks, the impact of the pandemic on trade has meant that the risk in all areas has declined as business has been significantly reduced already, particularly reducing the risks to both supply chain and people requirements.</p> <p>The impact on the Company and the Group of the uncertainty around the current COVID-19 global pandemic has been detailed in the Going Concern disclosure (Note 1).</p>	<p>The Group's Procurement team has a specific Brexit risk mitigation plan in place. Contingency plans for the Group's supply chain include:</p> <ul style="list-style-type: none"> <li>- Joint business plans with key suppliers, to mitigate risks caused by currency fluctuations and potential changes in import procedures,</li> <li>- Implementation of risk management procedures including contingency planning; and</li> <li>- Where there is a potential risk of increased costs in the supply chain due to a shortage of raw and/or manpower, price fixes/ price caps are being negotiated.</li> <li>- For high risk products, alternative suppliers and products are being identified and alternative menus developed for high risk products to ensure business continuity.</li> </ul> <p>The Group constantly reviews its approach to being a compelling employer choice for UK nationals and overseas nationals alike. This includes focusing on creating a great place to work, career development opportunities, employee engagement as well as competitive compensation and benefits.</p>
<p><b>Events affecting international travel</b></p> <p>Given the international customer base, the Company is exposed to the risk of significant events impacting international travel (such as acts of terrorism and outbreaks of disease).</p> <p>In the current financial year, this has been seen through the global travel lockdowns imposed as a result of the COVID-19 pandemic. See full details of the impact of COVID-19 in the Going Concern disclosure (Note 1).</p>	<p>The Group retains a proactive focus on costs and in the event of a down-turn this enhanced competitiveness allows us to protect our margins.</p>
<p><b>Treasury risk</b></p> <p>The Group is exposed to treasury risks relating to interest rates on overdrafts, counterparty credit and management of cash, ensuring liabilities are met as they fall due.</p> <p>Cash management has been a heightened risk in the current year, as a result of the COVID-19 pandemic, and the reduced revenues and cash inflow as a result. See full details of the impact of COVID-19 in the Going Concern disclosure (Note 1).</p>	<p>The Group's Treasury function manages both the activities of all operating companies within the Group and the Group's borrowings. The Group's treasury activities, including the use of financial instruments and hedging instruments are overseen by the GL Limited (Note 29).</p>

Signed:



Alan Morgan  
Director  
17 December 2020

## Directors' Report

The directors present their Directors' Report and financial statements for the year ended 30 June 2020.

### Result and dividends

The results for the year ended 30 June 2020 are set out in the Consolidated Statement of Profit and Loss and Other Comprehensive Income on page 16. Loss after tax for the year was £16,710,000 (2019: £14,588,000 profit).

The directors have not proposed a dividend in the current financial year (2019: £nil).

After the balance sheet date the Company received dividends from subsidiaries, see note 27 for details.

### Directors & directors' interests

The directors who held office during the financial year were as follows:

Kah Meng Ho  
Leng Hai Kwek  
Hong Cheong Tang  
Neil Gallagher (Resigned 9 August 2019)  
Alan Morgan (Appointed 9 August 2019)

No director had any interests in, or rights to subscribe for, shares or debentures in the Company or any fellow subsidiary during the financial year.

Leng Hai Kwek and Hong Cheong Tang are directors of the intermediate parent company, GL Limited, and their interests in its shares and share options are disclosed in that company's accounts.

The directors benefited from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

### Going concern

After making due enquiries, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, there are circumstances, as detailed on page 20, that represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The Company has net assets of £462.5m (2019: £479.0m) and a modest gearing ratio of 24% (2019: 25%).

The Group has net assets of £451.8m (2019: £575.9m) and a modest gearing ratio of 25% (2019: 22%).

The Gearing Ratio Calculation has been calculated as follows:

$$\frac{\text{Borrowings}}{\text{Borrowings} + \text{Total Equity}}$$

### Financial Risk

The Group's policy and objectives related to financial risk management, including the policy for hedging, is considered in Note 20 to the financial statements. This also considers the position in relation to credit risk, liquidity risk and interest rate risk.

### Employee matters

The Group's policy of providing employees with information about the Company and the Group has continued and regular meetings are held between management and employees to allow exchanges of information and ideas.

The Group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

See Engaging with our stakeholders section in the Strategic report for further information on how we engage with our employees.

### Charitable Donations and Political contributions

The Company made no charitable donations or incurred any political expenditure during the year (2019: £nil).

## Directors' Report (continued)

### Carbon emissions

In line with the UK Government's streamlined energy and carbon reporting requirements the Group are required to report carbon emissions for the period 1st July 2019 to 30th June 2020.

The Group have set this year as the baseline year and reported total emissions using the financial control boundary. The methodology used aligns with Defra's Environmental reporting guidelines (2019) and uses the UK Government's greenhouse gas reporting conversion factors (2019) to quantify emissions.

For the purposes of evaluating performance to date the Group have compared emissions on a like for like basis against the prior year. Further information can be found below:

Emissions source	2017/18	2018/19	2019/20	Change against previous year	% Change against previous
Emissions from fuel combustion	317	267	206	-61	-22.8%
Emissions from gas combustion	7,936	6,700	5,996	-704	-10.5%
<b>Total Scope 1 (tCO2e)</b>	<b>8,253</b>	<b>6,967</b>	<b>6,203</b>	<b>-764</b>	<b>-11.0%</b>
Emissions from the purchase of Electricity	13,198	9,959	7,948	-2,011	-20.2%
<b>Total Scope 2 (tCO2e)</b>	<b>13,198</b>	<b>9,959</b>	<b>7,948</b>	<b>-2,011</b>	<b>-20.2%</b>
<b>Total Scope 1 &amp; 2 (tCO2e)</b>	<b>21,451</b>	<b>16,926</b>	<b>14,151</b>	<b>-2,776</b>	<b>-16.4%</b>
<b>Intensity Metrics</b>					
kgCO2e/£m Revenue (Scope 1&2)	0.09	0.07	0.07	0.00	0.0%
kgCO2e/No. Rooms Sold (Scope 1&2)	0.02	0.01	0.01	0.00	0.0%

\* Refrigerant data has been excluded due to difficulties obtaining accurate data on landlord managed sites, this is considered immaterial.

Breakdown by emissions source	Amount consumed	Carbon emissions (tonnes CO2e)	Share	Units
Electricity	31,094,349	7,948		56.2% kWh
Gas	32,612,388	5,996		42.4% kWh
Vehicle fuel	-	-		0.0% Litres/ miles
Fuel oils	74,515	206		1.5% Litres
Refrigerants	-	-		0.0% kg
<b>Total</b>		<b>14,150</b>	<b>Tonnes CO2e</b>	

The Group strives to include energy efficient technologies within their refurbishment design wherever possible, in an effort to reduce emissions. This has been evident in the current financial year, with the inclusion of LED lighting in the Amba Grosvenor during its refurbishment. In addition, the Group appointed a Group Facilities & Safety Manager in the year who reviews all capital expenditure proposals and ensures they incorporate energy efficient options. They have also been tasked with reviewing contracts and supply chain for potential energy efficiency opportunities. This has enabled the Group to procure two in-depth energy surveys for two hotels which will enable benchmarking and help identify any areas of potential improvement. Based on the results of these surveys the Group will assess whether appropriate to survey the remainder of the hotel estate. In FY 2021 & 2022 the Group hopes to see further positive results around emissions as a result of the groundwork completed in the current financial year.

### Risk Management & Internal Controls

The Board recognises the importance of a sound system of internal controls to safeguard shareholders' interests and investments and the Group's assets, and to manage risks. The Board determines the Group's risk profile and oversees the formulation, implementation and monitoring of the Group's internal controls. Management articulates the Group's risk policies by identifying significant risks which might impact the Group's business. The Group maintains a Risk Register which is reviewed periodically by the Board and Management of GL Limited, parent of the Company. A risk rating system has been established to identify the tolerance level for the various identified risks and to determine the likelihood of incidence of such risks. Guidelines and strategies for the mitigation of such risks are set out in the Risk Register. The Board ensures the effective implementation and monitoring of internal controls by Management and the Internal Audit Department. The Internal Audit Department reports directly to the Board. The Internal Audit Department adheres to an audit plan approved by the Board in reviewing and testing the adequacy and effectiveness of the Group's internal controls. On an annual basis, an Internal Audit and Risk Assurance Report is presented to the Board on significant risks and risk exposures impacting the Group's key businesses and the measures taken by Management to address them. The Board recognises that no system of control will provide absolute assurance against material misstatement or loss. However, based on reviews carried out by the Internal Audit Department and Management, the Board is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems, are adequate and effective. On 16 December 2020, the Board received assurance from Mr Alan Morgan and Gavin Taylor, who are the Chief Executive Officer and Chief Financial Officer respectively of the Company, that:

- The financial records of the Company have been properly maintained and the financial statements for FY2020 give a true and fair view of the Company's operations and finances; and
- The Company's system of risk management and internal controls is effective in addressing the material risks in its current business environment including financial, operational, compliance and information technology risks.

### Disclosure of information to auditor

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

## Directors' Report *(continued)*

### Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### Auditor

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

By order of the board

  
Alan Morgan

Director

17 December 2020



## Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Company financial statements on the same basis.

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 their profit or loss for that year. In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Alan Morgan

Director

17 December 2020

# Independent auditor's report

## to the members of GLH Hotels Limited

### 1. Our opinion is unmodified

We have audited the financial statements of GLH Hotels Limited ("the Company") for the year ended 30 June 2020 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive income, Consolidated and Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

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 30 June 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit

We were first appointed as auditor by the directors in 2004. The period of total uninterrupted engagement is for the 17 financial years ended 30 June 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### Overview

**Materiality:** £0.855m (2019: £0.9m)  
Group financial statements as a whole 0.5% of total revenue (2019: 0.5%)  
4.4% of normalised profit before tax

**Coverage** 79% of revenue (2019: 94%)  
normalised Group profit before tax

#### Key audit matters vs 2019

**Event driven** **New:** Going concern - impact of material uncertainties arising from COVID-19 N<sub>y</sub>

**New:** IFRS 16: Lease arrangements (transition) N<sub>y</sub>

**Recurring risks** The impact of uncertainties due to the UK exiting the European Union on our audit ◀

Carrying amount of property, plant and equipment ◀

Defined benefit pension obligation ◀

## 2. Material uncertainty related to going concern

	The risk	Our response
<p><b>Going concern - impact of uncertainties arising from COVID-19</b></p> <p>We draw attention to note 1 to the financial statements which indicates that the uncertainty over the future impact of COVID-19 and the Group's and the parent Company's ability to continue as going concern is dependent on the remaining uncommitted facilities available. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern.</p> <p>Our opinion is not modified in respect of this matter.</p>	<p><b>Disclosure quality</b></p> <p>There is little judgement involved in the directors' conclusion that the risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group and the parent Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements.</p> <p>However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Assessing transparency:</b> We assessed the completeness and accuracy of the matters covered in the going concern disclosures by evaluating the assumptions used by the directors to prepare the downside cashflows.</li> <li>— <b>Funding assessment:</b> We assessed the Group's current and future, up to one year from the audit report, including compliance with covenants on third party financing. We also assessed the forecast cash position and the available committed facilities to understand the financial resource available to the Group during the forecast period.</li> <li>— <b>Historical accuracy:</b> We evaluated assumptions used, in particular those relating to forecast revenue growth and profit margins by considering the historical accuracy of the previous forecasts.</li> <li>— <b>Sensitivity analysis:</b> We assessed the reasonableness of the Group's forecasts and evaluated whether key assumptions used in its forecasts are within a reasonable range, and assessing the plausible but severe downside scenarios particularly whether those downside scenarios reflect plausible impacts of COVID-19 on the business.</li> </ul> <p><b>Our Results</b></p> <ul style="list-style-type: none"> <li>— We found the disclosure of material uncertainty to be acceptable.</li> </ul>

## 3. Other key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p><b>The impact of uncertainties due to the UK exiting the European Union on our audit</b></p> <p><i>Refer to page 1 (Strategic Report)</i></p>	<p><b>Unprecedented level of uncertainty</b></p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in carrying amount of property, plant and equipment and recoverability of parent Company's investment in subsidiaries below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic environment and the Group's future prospects and performance.</p>	<p>We developed a standardised firm-wide approach to consideration of the uncertainties arising from Brexit planning and performing our audits. Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Our Brexit Knowledge:</b> We considered the directors' assessment of Brexit-related sources of risk for the group business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.</li> </ul>

### 3. Key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
<p><b>The impact of uncertainties due to the UK exiting the European Union on our audit (continued)</b></p>	<p>Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.</p>	<ul style="list-style-type: none"> <li>— <b>Sensitivity Analysis:</b> When addressing the carrying amount of property, plant and equipment, recoverability of parent Company's investments in subsidiaries and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.</li> <li>— <b>Assessing transparency:</b> As well as assessing individual disclosures as part of our procedures on carrying amount of property, plant and equipment and recoverability of parent Company's investments in subsidiaries, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>— As reported under the Key Audit Matters for carrying amount of property, plant and equipment and recoverability of parent Company's investments in subsidiaries, we found the resulting estimates and related disclosures of future cash flows and disclosures of going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit (2019 result: acceptable).</li> </ul>
<p><b>Carrying amount of property, plant and equipment</b></p> <p>(£641.3 million; 2019: £640.9 million)</p> <p><i>Refer to note 1 on page 21 (accounting policy) and notes 10 and 28 (financial disclosures)</i></p>	<p><b>Forecast-based valuations:</b></p> <p>The Group has significant hotel assets which are carried at cost less depreciation and impairment and are subject to an annual review to assess whether or not they have any indicators of impairment.</p> <p>There is a degree of subjectivity in the determination of appropriate assumptions and market conditions prevailing at the balance sheet date with the key assumptions relating to the discount rates and short, medium and long term growth rates.</p> <p>The net book value of the property, plant and equipment are significant to the Group and there are inherent judgements involved which leads us to consider this to be a significant audit risk.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the carrying amount of the property plant and equipment has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> <p>The financial statements (note 28) disclose the sensitivity estimated by the</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Assessment of the Group's review of indicators:</b> We assessed the directors' identification of impairment indicators within the individual cash generating units.</li> <li>— <b>Retrospective review of historical forecasts:</b> We assessed the reasonableness of the budgets up until February 2020 by considering the historical accuracy of the previous forecasts.</li> <li>— <b>Sensitivity analysis:</b> We performed breakeven analysis on the projected economic growth and discount rates.</li> <li>— <b>Assessment of key assumptions:</b> With assistance from KPMG specialists, we analysed the key assumptions used within the calculation of recoverable amount including the discount rate, projected short and long term revenue growth rates and exit multiple.</li> <li>— <b>Assessing transparency:</b> We assessed the Group's disclosures over the property, plant and equipment impairment review, including disclosures regarding the sensitivity of the outcome of the impairment reviews to changes in key assumptions.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>— We found the resulting estimate of the recoverable amount of the properties to be acceptable (2019 result: acceptable).</li> </ul>

### 3. Other key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
<p><b>Defined benefit pension obligation</b></p> <p>(£109.3 million; 2019: £94.9 million)</p> <p><i>Refer to note 1 on pages 24 and 25 (accounting policy) and note 24 (financial disclosures).</i></p>	<p><b>Subjective valuation:</b></p> <p>The Company operates two defined benefit pension schemes. The estimate of the defined benefit obligations is inherently uncertain and requires significant estimates around assumptions relating to mortality improvements, inflation and discount rates.</p> <p>Small changes in the assumptions and estimates used to value the parent Company's pension obligation (before deducting scheme assets) would have a significant effect on the net pension surplus.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the defined benefit pension obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> <p>The financial statements (note 24) disclose the sensitivity estimated by the parent Company.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Assessing external actuary's credentials:</b> We critically assessed the qualifications and experience of the external actuary to determine if they have the knowledge and experience to perform the valuation of the defined benefit pensions schemes.</li> <li>— <b>Benchmarking assumptions:</b> We challenged the key assumptions applied: the discount rate, inflation rate and mortality/ life expectancy against externally derived data to estimate the sensitivity of the defined benefit pension obligation, supported with the involvement of our own actuarial specialists.</li> <li>— <b>Assessing transparency:</b> We assessed the parent Company's disclosures for adequacy in respect of the assumptions used in calculating the defined benefit obligation against the requirements of the relevant accounting standard.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>— We found the resulting estimate of defined benefit pension obligation to be acceptable (2019 result: acceptable).</li> </ul>
<p><b>Recoverability of parent Company's investments in subsidiaries</b></p> <p>(£605.2 million; 2019: £605.2 million)</p> <p><i>Refer to note 1 on page 21 (accounting policy) and note 11 (financial disclosures)</i></p>	<p><b>Forecast-based valuations:</b></p> <p>The carrying amount of the parent company's investments in subsidiaries are significant and at risk of recoverability due to the assumptions and market conditions prevailing at the balance sheet date. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows used in the budgets.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the Company's investments in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> <p>The financial statements (note 28) disclose the sensitivity estimated by the parent Company.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Tests of detail:</b> We compared the carrying amount of the total investments with each subsidiaries' draft balance sheet to identify whether their net assets, as an approximate of the minimum recoverable amount, were in excess of their carrying amount and assessing the historical profitability of that subsidiary.</li> <li>— <b>Comparing valuations:</b> In situations where the carrying amount of the investments exceeded the net asset value, we compared the carrying amount of the investment with the expected future value based on the discounted cash flows to support the carrying value of the property, plant and equipment in each subsidiary.</li> <li>— <b>Historical comparisons:</b> We assessed the reasonableness of the budgets until February 2020 by considering the historical accuracy of the previous forecasts.</li> <li>— <b>Addressing transparency:</b> We assessed the adequacy of the parent Company's disclosures in respect of the carrying amount of the investment in subsidiaries.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>— We found the parent Company's assessment of the investment in subsidiaries to be acceptable (2019 result: acceptable).</li> </ul>

### 3. Other key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
<p><b>IFRS 16: Lease arrangements (transition)</b></p> <p>(Right of Use assets- £465.7 million)</p> <p>(Lease Liability- £615.7million)</p> <p><i>Refer to note 1 on page 19 (accounting policy) and note 12 (financial disclosures)</i></p>	<p><b>Subjective estimate</b></p> <p>The Group have a number of hotels, the majority of which are leased. The Group is now required to recognise a lease liability in relation to all of these leases. The calculation of lease liabilities requires assumptions of the discount rate, which can have a significant impact on the lease liabilities recognised.</p> <p>Judgement arises in determining the lease term as this relies on assessing the likelihood of continued use of the leased asset after the contractually committed period.</p> <p>Estimation uncertainty arises in respect of the discount rate where the implicit rate in the lease is not available, as is typical in the Group's leases. In those circumstances the Group bases the discount rate on the incremental borrowing rate. The incremental borrowing rate is an unobservable input based on assumptions of the Group's credit risk and specific risks of leased assets. Small changes in this assumption across a number of leases could lead to a material change in the valuation of lease liabilities.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of lease liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Accounting analysis:</b> We assessed the calculation methodology used in calculating the lease liability and right-of-use asset against the requirements of the relevant accounting standard.</li> <li>— <b>Sensitivity analysis:</b> We performed sensitivity analyses over the incremental borrowing rate and considered the outcomes with reference to benchmarks to identify the key assumptions affecting the right-of-use asset and lease liability.</li> <li>— <b>Assessment of key assumptions:</b> With assistance from KPMG specialists, we assessed the inputs to the calculation and appropriateness of the methodology applied.</li> <li>— <b>Tests of detail:</b> We corroborated the Group's incremental borrowing rate with reference to correspondence with bankers and re-performing the lease incremental borrowing rate calculation.</li> <li>— <b>Assessing transparency:</b> We assessed the adequacy of the Group's disclosures about the sensitivity of the valuation of the right-of-use assets and lease liabilities to changes in key assumptions.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>— We found the Group's recognition of right-of-use assets and lease liabilities at 1 July 2019 to be appropriate and the disclosures in the financial statements provide an adequate description of the judgements and estimates made by the Group.</li> </ul>

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £855k, determined with reference to a benchmark of Group revenue (of which it represents 0.5%) (2019: £976k, which was determined that year with reference to a benchmark of profit before tax, normalised to exclude non-recurring expenses arising from the relaunch and renovation of The Cumberland Hotel to the new Hard Rock Hotel brand and the impairment of fixed assets, of which it represented 4.4%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax as the Group is loss making in the current financial year.

Materiality for the parent Company financial statements as a whole was set at £299k (2019: £525k), based on component materiality. This is lower than the materiality we would otherwise have determined with reference to a benchmark of parent Company net assets, and represents 0.06% (2019: 0.30%) of this benchmark.

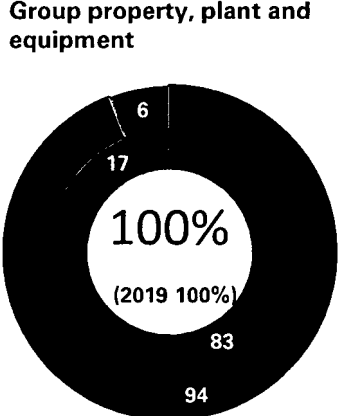
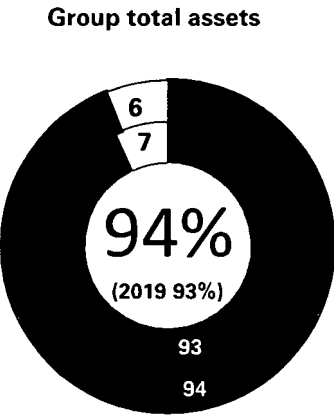
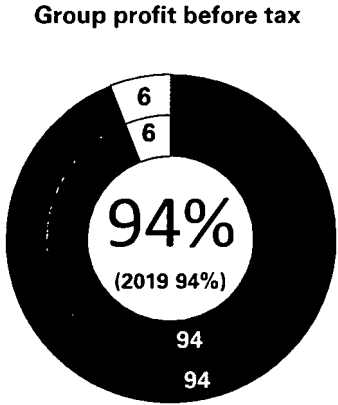
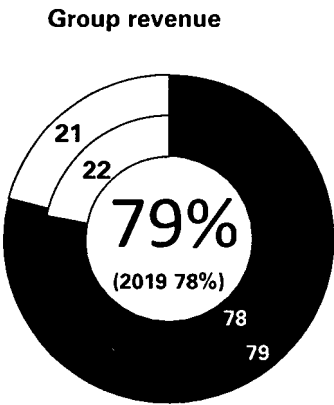
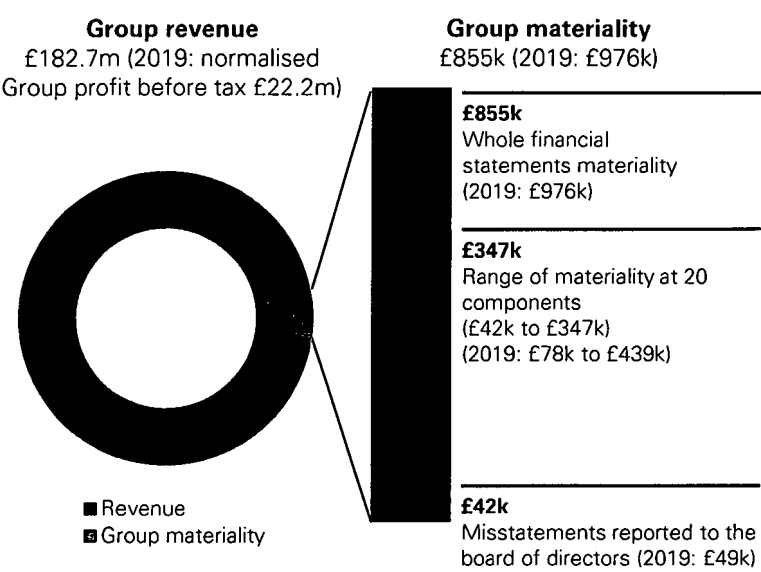
The group team performed procedures on the items excluded from normalised Group revenue profit.

We agreed to report to the board of directors any corrected or uncorrected identified misstatements exceeding £42k (2019: £49k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s 20 (2019: 20) reporting components, we subjected 7 (2019: 7) to full scope audits for group purposes and 6 (2019: 6) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 21% (2019: 22%) of total Group revenue, 6% (2019: 6%) of Group profit before tax and 6% (2019: 7%) of total Group assets is represented by 7 (2019: 7) of reporting components, none of which individually represented more than 7.5% (2019: 7.5%) of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on 13 of the 13 components (2019: 13 of the 13 components), including the audit of the parent company, was performed by the Group team.



- Full scope for group audit purposes 2020
- Specified risk-focused audit procedures 2020
- Full scope for group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Residual components

## **5. We have nothing to report on the strategic report and the directors' report**

The directors are responsible for the strategic report and the directors' report together with the financial statements. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **6. We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

## **7. Respective responsibilities**

### *Directors' responsibilities*

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group 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 they 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*

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### *Irregularities – ability to detect*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the director and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standard: limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.



Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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



**Chrissy Douka (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

21 December 2020

## Consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2020

		Year ended 30 June 2020	Year ended 30 June 2019
	Note	£000's	£000's
Revenue	3	183,165	244,963
Financial Income	6	3,695	3,314
Depreciation and Amortisation	4	(27,878)	(12,038)
Management fees	25	(18,390)	(26,382)
Franchise fees		(1,196)	(236)
Property rent	4	-	(41,796)
Employee Benefits expense	5	(41,143)	(47,972)
Finance costs	7	(42,149)	(9,451)
Professional Fees		(6,444)	(7,171)
Direct expenses		(14,016)	(19,713)
Property management cost		(19,944)	(25,483)
Rooms commissions		(11,794)	(16,331)
Food and beverage cost of sales		(7,424)	(9,365)
Profit on Disposal through Compulsory Purchase Order	8	12,526	-
Loss on Disposal of Fixed Assets	8	(306)	(1,433)
Impairment of Fixed Assets and Right-of-use Assets	4	(14,741)	(9,259)
Provisions made	18	(5,247)	-
Other costs		(10,571)	(9,829)
<b>(Loss)/profit before tax</b>		<b>(21,857)</b>	<b>11,818</b>
Taxation credit	9	5,147	2,770
<b>(Loss)/profit for the year</b>		<b>(16,710)</b>	<b>14,588</b>
(Loss)/profit for the year attributable to:			
Equity Holders of the Parent		(16,710)	14,589
Non-controlling interest		-	(1)
<b>(Loss)/profit for the year</b>		<b>(16,710)</b>	<b>14,588</b>
<b>Other comprehensive income</b>			
<u>Items that will not be reclassified to Profit or Loss</u>			
Actuarial (losses) on defined benefit pension plans	24	(2,781)	(5,897)
Deferred tax credit on other comprehensive income	9	208	530
Current tax credit on other comprehensive income	9	271	529
<u>Items that are or may be reclassified subsequently to profit or loss</u>			
Change in fair value on cashflow hedge	17	(426)	564
Deferred tax credit/(charge) on change in fair value on cash flow hedge	9	130	(136)
<b>Total comprehensive income for the year</b>		<b>(19,308)</b>	<b>10,178</b>
Total Comprehensive income for the year attributable to:			
Equity Holders of the Parent		(19,308)	10,179
Non-controlling interest		-	(1)
<b>Total comprehensive income for the year</b>		<b>(19,308)</b>	<b>10,178</b>

There were no items of recognised income or expense other than as shown in the Consolidated Statement of Profit and Loss and Other Comprehensive Income above.

The accompanying notes on pages 20 to 46 form an integral part of these financial statements.

## Consolidated and company statement of financial position for the year ended 30 June 2020

		Group		Company	
	Note	30 June 2020	30 June 2019	30 June 2020	30 June 2019
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	643,156	640,926	-	-
Investment in subsidiaries	11	-	-	598,408	605,228
Right-of-use assets	12	510,129	-	-	-
Deferred tax asset	19	13,695	-	-	-
Pension benefit surplus	24	5,039	5,599	5,039	5,599
<b>Total non-current assets</b>		<b>1,172,019</b>	<b>646,525</b>	<b>603,447</b>	<b>610,827</b>
<b>Current assets</b>					
Inventories	13	606	1,006	-	-
Trade and other receivables	14	113,453	134,518	208,060	213,425
Cash and cash equivalents		22,492	19,744	22,225	9,444
<b>Total current assets</b>		<b>136,551</b>	<b>155,268</b>	<b>230,285</b>	<b>222,869</b>
<b>Total assets</b>		<b>1,308,570</b>	<b>801,793</b>	<b>833,732</b>	<b>833,696</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital	21	79,655	79,655	79,655	79,655
Share premium		10,794	10,794	10,794	10,794
Hedging reserve	22	(2,322)	(2,026)	(2,322)	(2,026)
Retained earnings	23	365,708	489,475	374,412	390,567
		453,835	577,898	462,539	478,990
Non-Controlling interest	23	(1,983)	(1,983)	-	-
<b>Total equity</b>		<b>451,852</b>	<b>575,915</b>	<b>462,539</b>	<b>478,990</b>
<b>Non-current liabilities</b>					
Borrowings	16	151,486	163,978	151,486	163,978
Lease liabilities	12	654,623	-	-	-
Deferred tax	19	-	13,262	188	493
Derivative financial instrument	17	2,868	2,658	2,868	2,658
Provisions	18	4,786	-	4,786	-
<b>Total non-current liabilities</b>		<b>813,763</b>	<b>179,898</b>	<b>159,328</b>	<b>167,129</b>
<b>Current liabilities</b>					
Bank overdraft		1,232	-	-	-
Trade and other payables	15	30,901	45,980	211,404	187,577
Lease liabilities	12	10,361	-	-	-
Provisions	18	461	-	461	-
<b>Total current liabilities</b>		<b>42,955</b>	<b>45,980</b>	<b>211,865</b>	<b>187,577</b>
<b>Total liabilities</b>		<b>856,718</b>	<b>225,878</b>	<b>371,193</b>	<b>354,706</b>
<b>Total equity and liabilities</b>		<b>1,308,570</b>	<b>801,793</b>	<b>833,732</b>	<b>833,696</b>

The accompanying notes on pages 20 to 46 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 16 December 2020 and were signed on its behalf by:

  
Alan Morgan

Director

17 December 2020

## Consolidated statement of changes in equity for the year ended 30 June 2020

	Share Capital	Share Premium	Hedging Reserve	Retained Earnings	Non- Controlling Interests	Total
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 30 June 2018</b>	79,655	10,794	(2,691)	479,724	(1,982)	565,500
<b>Total Comprehensive income for</b>						
Profit or loss	-	-	-	14,589	(1)	14,588
Change in FV of cashflow hedge reclassified to the P&L	-	-	237	-	-	237
Other Comprehensive income	-	-	564	(5,897)	-	(5,333)
Deferred Tax on other comprehensive income	-	-	(136)	530	-	394
Current tax on other comprehensive income	-	-	-	529	-	529
<b>Balance at 30 June 2019</b>	<u>79,655</u>	<u>10,794</u>	<u>(2,026)</u>	<u>489,475</u>	<u>(1,983)</u>	<u>575,915</u>
Transition to IFRS 16 (Note 1(B))	-	-	-	(104,755)	-	(104,755)
<b>Balance as at 1 July 2019</b>	<u>79,655</u>	<u>10,794</u>	<u>(2,026)</u>	<u>384,720</u>	<u>(1,983)</u>	<u>471,160</u>
<b>Total Comprehensive income for</b>						
Profit or loss	-	-	-	(16,710)	-	(16,710)
Other Comprehensive income	-	-	(426)	(2,781)	-	(3,207)
Deferred tax on other comprehensive income	-	-	130	208	-	338
Current tax on other comprehensive income	-	-	-	271	-	271
<b>Balance at 30 June 2020</b>	<u>79,655</u>	<u>10,794</u>	<u>(2,322)</u>	<u>365,708</u>	<u>(1,983)</u>	<u>451,852</u>

## Company statement of changes in equity for the year ended 30 June 2020

	Share Capital	Share Premium	Hedging Reserve	Retained Earnings	Total
	£000's	£000's	£000's	£000's	£000's
<b>Balance at 30 June 2018</b>	79,655	10,794	(2,691)	403,686	491,444
<b>Total Comprehensive income</b>					
Profit or loss	-	-	-	(8,281)	(8,281)
Change in FV of cashflow hedge reclassified to the P&L	-	-	237	-	237
Other Comprehensive income	-	-	564	(5,897)	(5,333)
Deferred Tax on other comprehensive income	-	-	(136)	530	394
Current tax on other comprehensive income	-	-	-	529	529
<b>Balance at 30 June 2019</b>	<u>79,655</u>	<u>10,794</u>	<u>(2,026)</u>	<u>390,567</u>	<u>478,990</u>
<b>Total Comprehensive income</b>					
Profit or loss	-	-	-	(13,853)	(13,853)
Other Comprehensive income	-	-	(426)	(2,781)	(3,207)
Deferred Tax on other comprehensive income	-	-	130	208	338
Current tax on other comprehensive income	-	-	-	271	271
<b>Balance at 30 June 2020</b>	<u>79,655</u>	<u>10,794</u>	<u>(2,322)</u>	<u>374,412</u>	<u>462,539</u>

The accompanying notes on pages 20 to 46 form an integral part of these financial statements.

## Consolidated and company statement of cash flows for the year ended 30 June 2020

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
(Loss)/profit for the financial year from continuing activities	(16,710)	14,588	(13,853)	(8,281)
Adjustments for:				
Taxation	(5,147)	(2,770)	(1,315)	(880)
Finance Costs	41,641	9,451	7,214	9,667
Finance Income	(3,695)	(3,314)	(5,646)	(4,266)
Impairment of Investments	-	-	6,820	755
Impairment of fixed assets	1,973	9,259	-	-
Impairment of right-of-use assets	12,768	-	-	-
Depreciation & Amortisation	27,878	12,038	-	-
Pension fund payments in excess of P&L charge	(2,065)	(3,130)	(2,065)	(2,891)
Amortisation of Debenture fees	508	701	508	701
Loss on disposal of fixed assets	306	1,433	-	-
Changes in working capital:				
(Increase) / Decrease in inventories	400	(665)	-	-
(Increase) / Decrease in trade & other receivables	21,035	(8,464)	5,251	(45,501)
Increase/ (Decrease) in trade & other payables	(5,305)	11,067	29,371	54,904
Increase in provisions	5,247	-	5,247	-
<b>Cash generated from operating activities</b>	<b>78,834</b>	<b>40,194</b>	<b>31,532</b>	<b>4,208</b>
Interest Paid	(41,869)	(8,794)	(7,598)	(8,794)
Tax Refund/(Paid)	1,733	(2,542)	1,733	(2,542)
Net Cash generated from/(used in) operating activities	<b>38,698</b>	<b>28,858</b>	<b>25,667</b>	<b>(7,128)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(15,613)	(33,159)	-	-
Interest Received	114	169	114	169
<b>Net cash used in investing activities</b>	<b>(15,499)</b>	<b>(32,990)</b>	<b>114</b>	<b>169</b>
<b>Cash flows from financing activities</b>				
Repayment of loans	-	(28,000)	-	(28,000)
Repayment of loans by parent company of the group on behalf of the Group and Company	(23,000)	-	(23,000)	-
Repayment of lease liabilities	(8,683)	-	-	-
Drawdown of unsecured loan facility	10,000	-	10,000	-
Loan Fees	-	(1,227)	-	(1,227)
<b>Net cash used in financing activities</b>	<b>(21,683)</b>	<b>(29,227)</b>	<b>(13,000)</b>	<b>(29,227)</b>
Net increase/(decrease) in cash and cash equivalents	<b>1,516</b>	<b>(33,359)</b>	<b>12,781</b>	<b>(36,186)</b>
Cash and cash equivalent at the start of the year	<b>19,744</b>	<b>53,103</b>	<b>9,444</b>	<b>45,630</b>
Cash and cash equivalents at the end of the year	<b>21,260</b>	<b>19,744</b>	<b>22,225</b>	<b>9,444</b>

The accompanying notes on pages 20 to 46 form an integral part of these financial statements.

## Notes to the financial statements

### 1 – Accounting policies

#### (A) Basis of preparation

GLH Hotels Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 00262958 and the registered address is 110 Central Street, London, EC1V 8AJ.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and Joint Ventures. The company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its company financial statements in accordance with IFRS; these are presented on pages 16 to 46.

On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Going Concern*

The financial statements have been prepared on the going concern basis which the directors consider to be appropriate for the following reasons.

The directors of the Group have prepared a consolidated cash flow forecasts for a period of 12 months from the date of approval of these financial statements. As at 30 June 2020, the Group was financed by a combination of an unsecured bank loan of £87.0m with an external lender, unsecured Revolving Credit Facility ("RCF") of £10.0m with an external lender, £55.3m of debentures and net cash of £21.3m. The Group also had £52.0m of uncommitted, unsecured facility. At the date of approval of these financial statements, a further £25.0m of this facility had been utilised, leaving £27.0m uncommitted. The bank loan includes three financial covenants and a waiver has been obtained by the Group from the external lender for the interest service cover ratio covenant for the 30 June 2021 testing.

The directors of the Group have separately considered the uncertainty as to the future impact of COVID-19 on the cash flow forecasts. At the date of the approval of the financial statements, 6 hotels were open, and 10 hotels within the Group remain temporarily closed as a result of COVID-19. In the specific severe but plausible downside scenario considered in relation to COVID-19, it has been assumed that the Group will generate no revenue, except for revenue from contractual management fee arrangements, for eight months after the balance sheet date of these financial statements, with business starting to return towards levels achieved pre-Covid-19 in the latter six months of 2021, variable costs will follow the same trend as revenue and fixed costs will continue to be incurred as normal. This forecast has only included government support that has been substantively enacted at the date of approval of these financial statements, such as the business rates holiday, Coronavirus Job Retention Scheme, and mitigating actions, including the deferral of substantially all non-essential capital expenditure and future dividend payments. Capital expenditure considered essential in nature has been included in the forecast.

This specific downside cash flow forecast indicates that the Group is expected, over the cash flow forecast period, to have a cash shortfall up to £27.0m, before consideration of its uncommitted facilities of £27.0m.

The directors would intend to fund this shortfall using a combination of:

- the Group's uncommitted bank facility of £52.0m, of which £27.0m was unutilised at the date of approval of these financial statements; and,
- through additional funding through the period from the intermediate parent, GL Limited. GL Limited has indicated its intention to continue to make available such funds are needed by the trading group through the forecast period. It is expected GL Limited would provide this support using available cash and/or uncommitted facilities available to it.

With regards to the support by the intermediate parent, as with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, the directors considered the specific downside scenario impact of COVID-19 on the Company's cash flows and concluded that the availability of funding through the Group's uncommitted facility and reliance on group support represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

## Notes to the financial statements (*continued*)

### 1 – Accounting policies (*continued*)

#### (B) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

##### i) Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing lease accounting guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 with a date of initial application of 1 July 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019 and as a result the comparatives have not been restated and are reported under IAS17. The details of the changes in accounting policies are disclosed below.

##### *Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

##### *As a lessee*

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment. For leases of other assets, which were classified as operating under IAS 17, the Group recognised right-of-use assets and lease liabilities.

##### a) *Leases classified as operating leases under IAS 17*

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment). The threshold set for this was £4,000.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

##### b) *Leases previously classified as finance leases*

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

##### *As a lessor*

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group was not a lessor in a finance lease arrangement as at the transition date.

Under IFRS 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease remains an operating lease under IFRS 16.

## Notes to the financial statements (continued)

### 1 – Accounting policies (continued)

#### (B) Changes in accounting policies

##### Impacts on financial statements

The impact on transition for the Group is summarised below.

	1 July 2019 £000's	Transition £000's	1 July 2019 £000's
Right-of-use assets (Note 12)	-	531,175	531,175
Deferred tax assets/(liabilities) (Note 19)	(13,262)	22,903	9,641
Lease liabilities (Note 12)	-	(665,950)	(665,950)
Accruals (Note 15)	(7,413)	7,117	(296)
Retained earnings	(489,475)	104,755	(384,720)
			<b>1 July 2019 £000's</b>
			<b>749,716</b>
Operating lease commitments at 30 June 2019 as disclosed under IAS 17			
Known annual lease payment increases at transition date			13,707
Extension options reasonably certain to be exercised			1,306,674
Commitments relating to lease exempt from capitalisation			(847)
			<b>2,069,250</b>
Total operating lease commitments			
			<b>(1,403,300)</b>
Discounted using the incremental borrowing rate at 1 July 2019			
			<b>665,950</b>
Lease liabilities recognised at 1 July 2019			

There was no impact on transition for the Company.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The rates used for the Group are between 4.88-5.53%.

#### ii) IBOR reform

In September 2019, the International Accounting Standards Board issued amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, effective for annual reporting periods beginning on or after 1 January 2020 with early adoption permitted. This change arose from the fundamental reform of major interest rate benchmarks undertaken globally to replace or reform IBOR with alternative nearly risk-free rates (referred to as 'IBOR reform'). These amendments provide temporary relief from specific hedge accounting requirements affected by IBOR reform. These amendments replace the need for specific judgements to determine whether certain hedge accounting relationships that hedge the variability of cash flows or interest rate risk exposures for periods after the interest rate benchmarks are expected to be reformed or replaced continue to qualify for hedge accounting. The IASB is expected to provide further guidance on the implication for hedge accounting during the reform process and after the reform uncertainty is resolved.

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 July 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in other comprehensive income that existed at 1 July 2019. The details of the accounting policies are disclosed in Note 1(P). See also Note 17 for related disclosures about hedge accounting.

#### (C) Future changes to accounting standards

There are a number of standards and interpretations issued by the IASB that are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

##### International Financial Reporting Standards

- *Amendments to References to Conceptual Framework in IFRS Standards.* The amendments are effective for annual period beginning on or after 1 January 2020.
- *Definition of a Business (Amendments to IFRS 3).* Effective for reporting periods beginning on or after 1 January 2020.
- *Definition of Material (Amendments to IAS 1 and IAS 8).* Effective for reporting periods beginning on or after 1 January 2020.

#### (D) Measurement convention

The financial statements are prepared on the historical cost basis except for certain assets and liabilities which are measured at fair value as described below.



## Notes to the financial statements (*continued*)

### 1 – Accounting policies (*continued*)

#### (E) Basis of consolidation

##### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

##### Joint Arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

##### Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

##### Application of the equity method to associates and joint ventures

Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

#### (F) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### Separate company financial statements.

In the company financial statements, all investments in subsidiaries are carried at cost less impairment.

#### (G) Property, plant and equipment

All property, plant and equipment is stated at cost or deemed cost less depreciation and any necessary provision for accumulated impairment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Residual values are assigned to assets where appropriate, based on the estimated amount the Group would obtain from disposal of the asset, less costs of disposal.

The principal expected useful economic lives are:

Freehold land	Not depreciated
Core elements of freehold buildings	Up to 100 years
Integral plant and non-core elements of buildings	15 to 30 years
Short leasehold property (less than 50 years remaining)	Remaining life of the lease
Long leasehold property (over 50 years remaining)	Up to 100 years or over the remaining life of the lease
Plant, equipment and fit out costs	5 to 15 years

Repairs and maintenance costs are expensed as incurred.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### (H) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### (I) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## Notes to the financial statements (*continued*)

### 1 – Accounting policies (*continued*)

#### (J) Inventories

Inventories comprise food, beverages, Hard Rock shop merchandise and retail vouchers for resale and are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

Cost is based on the first-in first-out principle that includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

#### (K) Classification of financial instruments

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### (L) Classification of non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### Interest - bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

##### Investments in debt and equity securities

Debentures are stated at amortised cost less impairment. Financial instruments held for trading are stated at fair value, with any resultant gain or loss recognised in profit or loss.

#### (M) Classification of derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

#### (N) Cash flow hedge

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

## Notes to the financial statements (continued)

### 1 – Accounting policies (continued)

#### (N) Cash flow hedge (continued)

The Group early adopted the amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform issued in September 2019 as part of its project on interest rate benchmark reform. Under the temporary exemptions from applying specific hedge accounting requirements, Interbank Offered Rates ("IBOR") are assumed to continue unaltered for the purposes of hedge accounting until such time as the uncertainty is resolved. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform. The Group will cease to apply the amendments to its retrospective and prospective effectiveness assessment of the hedging relationship when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued. However, as at 30 June 2020, the uncertainty continued to exist and so the temporary exemptions apply to all of the Group's hedge accounting relationships that reference benchmarks subject to reform or replacement.

#### (O) Impairment of non-derivative financial assets

The Group recognises loss allowances for ECLs on all financial assets measured at amortised cost.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

#### Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

#### General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

#### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### (P) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

## Notes to the financial statements (*continued*)

### 1 – Accounting policies (*continued*)

#### (Q) Revenue

Revenue from hotel operations is in the profit and loss at the point at which room and related services are provided. Revenue from hotel operations includes income earned from sales of food and beverages, meetings and events income, shop merchandise sales and other miscellaneous income. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. All revenue is excluding VAT and is generated in the UK.

#### (R) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### (S) Financing income and costs

Financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### (T) Foreign currency

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to sterling at foreign exchange rates ruling at the dates the fair value was determined.

#### (U) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### (V) Defined benefit pension schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), adjusted for employer contributions paid into the Scheme.

The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

A formal actuarial valuation is performed at least once every three years by a qualified actuary and informal valuations are carried out in the intervening years using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Re-measurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in OCI and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

## Notes to the financial statements (continued)

### 1 – Accounting policies (continued)

#### (W) Retirement benefit costs

Payments to defined contribution pension schemes are charged as an expense as they fall due. For defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit actuarial cost method, with informal actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and are presented in the SOCI.

Both current and past service costs are the amounts recognised in the income statement, reflecting the expense associated with the individuals. Current service cost represents the increase in the present value of the scheme liabilities expected to arise from employee service in the current period. Past service cost is recognised immediately to the extent that the benefits are already vested. Gains and losses on curtailments or settlements are recognised in the income statement in the period in which the curtailment or settlement occurs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligations as adjusted for unrecognised past service costs, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds (which is only recognised to the extent that the Group has an unconditional right to receive it) and reductions in future contributions to the scheme. To the extent that an economical benefit is available as a reduction in future contributions and there is a minimum funding requirement required of the Group, the economic benefit available as a reduction in contributions is calculated as the present value of the estimated future service cost in each year, less the estimated minimum funding contributions required in respect of the future accrual and benefits in the year.

#### (X) Government grants

The Group recognises government grants related to income in the period that the expense is incurred.

The Group has adopted to deduct income related government grants from the relevant expense in the statement of profit and loss and other comprehensive income.

#### (Y) Franchise fees

Expenses from franchise fees are recognised in the profit or loss at the point in which the fees are due, based on the underlying franchise agreement.

### 2 - Operating Segments

The Group operates the following brands: Guoman, Amba, Thistle, Thistle Express and Hard Rock. All hotels are operated in or around the London area and there is no one customer that represents a material proportion of the Group's total revenues.

The Cumberland Hotel (London) Limited is the only hotel operating under the Hard Rock brand (previously under Guoman). This hotel was re-branded under the Hard Rock brand on 30 April 2019. Thus, in the prior year comparative, 2 months operating results for this hotel are classified under Hard Rock and 10 months operating results under Guoman. The balance sheet as at 30 June 2020 and 30 June 2019 is classified under the Hard Rock segment.

#### Profit and loss statement for the year ended 30 June 2020

	Guoman £000's	Amba £000's	Thistle, Thistle Express £000's	Hard Rock £000's	Central £000's	Total £000's
Revenue	63,618	49,625	39,701	30,221	-	183,165
Depreciation	(8,349)	(4,024)	(9,414)	(6,091)	-	(27,878)
Management Fees	(6,366)	(5,569)	(3,855)	(2,468)	(132)	(18,390)
Employee Benefit expense	(14,449)	(8,409)	(9,644)	(8,627)	(14)	(41,143)
Finance (costs)/income	(4,328)	602	(11,093)	(21,766)	(1,869)	(38,454)
Other Costs	(27,493)	(14,668)	(17,896)	(12,768)	(6,332)	(79,157)
Profit/(Loss) before tax	2,633	17,557	(12,201)	(21,499)	(8,347)	(21,857)
Tax (expense)/credit	(1,193)	(3,453)	2,943	5,536	1,314	5,147
Profit/(Loss) for the year	1,440	14,104	(9,258)	(15,963)	(7,033)	(16,710)

#### Profit and loss statement for the year ended 30 June 2019

	Guoman £000's	Amba £000's	Thistle, Thistle Express £000's	Hard Rock £000's	Central £000's	Total £000's
Revenue	117,948	67,550	53,843	5,622	-	244,963
Depreciation	(4,298)	(4,377)	(3,055)	(308)	-	(12,038)
Management Fees	(12,058)	(7,568)	(5,564)	(677)	(751)	(26,618)
Property Rent	(23,995)	(217)	(14,525)	(3,059)	-	(41,796)
Employee Benefit expense	(23,970)	(10,587)	(11,607)	(1,834)	26	(47,972)
Finance (costs)/income	(779)	463	(48)	(373)	(5,400)	(6,137)
Other Costs	(47,014)	(19,719)	(26,880)	(3,208)	(1,763)	(98,584)
Profit/(Loss) before tax	5,834	25,545	(7,836)	(3,837)	(7,888)	11,818
Tax (expense)/credit	(2,521)	2,879	1,182	767	463	2,770
Profit/(Loss) for the year	3,313	28,424	(6,654)	(3,070)	(7,425)	14,588

## Notes to the financial statements (continued)

### 2 – Operating Segments (continued)

#### Balance Sheet as at 30 June 2020

	Guoman £000's	Amba £000's	Thistle, Thistle Express £000's	Hard Rock £000's	Central £000's	Total £000's
<b>Non-current assets</b>						
Property, plant and	319,763	240,594	36,546	46,253	-	643,156
Right-of-use assets	66,289	2,502	134,703	306,635	-	510,129
Pension benefit surplus	-	-	-	-	5,039	5,039
<b>Current assets</b>						
Inventories	106	51	58	376	15	606
Trade and other receivables	54,095	95,975	55,322	8,872	(100,811)	113,453
Cash and cash equivalents	-	171	88	-	22,233	22,492
<b>Non-current liabilities</b>						
Borrowings	-	-	-	-	(151,486)	(151,486)
Lease Liabilities	(76,780)	(3,462)	(192,554)	(381,827)	-	(654,623)
Deferred tax	(2,769)	(2,671)	3,311	16,012	(188)	13,695
Derivative financial	-	-	-	-	(2,868)	(2,868)
Provisions	-	-	-	-	(4,786)	(4,786)
<b>Current liabilities</b>						
Bank overdraft	(672)	(250)	(153)	(157)	-	(1,232)
Lease Liabilities	(3,315)	(1)	(6,441)	(604)	-	(10,361)
Provisions	-	-	-	-	(461)	(461)
Trade and other payables	(14,015)	(4,237)	(24,342)	(82,876)	94,569	(30,901)
<b>Net assets/ (liabilities)</b>	<b>342,702</b>	<b>328,672</b>	<b>6,538</b>	<b>(87,316)</b>	<b>(138,744)</b>	<b>451,852</b>

#### Balance Sheet as at 30 June 2019

	Guoman £000's	Amba £000's	Thistle, Thistle Express £000's	Hard Rock £000's	Central £000's	Total £000's
<b>Non-current assets</b>						
Property, plant and equipment	311,630	243,047	39,430	46,819	-	640,926
Pension benefit surplus	-	-	-	-	5,599	5,599
<b>Current assets</b>						
Inventories	196	74	85	635	16	1,006
Trade and other receivables	65,161	88,202	41,455	8,067	(68,367)	134,518
Cash and cash equivalents	4,046	2,482	1,887	1,150	10,179	19,744
<b>Non-current liabilities</b>						
Borrowings	-	-	-	-	(163,978)	(163,978)
Deferred tax	(4,821)	(2,598)	(4,023)	(1,327)	(493)	(13,262)
Derivative financial instrument	-	-	-	-	(2,658)	(2,658)
<b>Current liabilities</b>						
Trade and other payables	(18,988)	(17,699)	(25,372)	(70,356)	86,435	(45,980)
<b>Net assets/ (liabilities)</b>	<b>357,224</b>	<b>313,508</b>	<b>53,462</b>	<b>(15,012)</b>	<b>(133,267)</b>	<b>575,915</b>

## Notes to the financial statements (continued)

### 3 – Revenue

Revenue consists of the following revenue streams:

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Rooms revenue	146,138	198,776
Food and beverage	19,281	23,627
Meetings and events	11,056	16,918
Other	6,690	5,642
	<b>183,165</b>	<b>244,963</b>

### 4 - Expenses and Auditor's Remuneration

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
The Group's profit before tax is stated after charging:		
Amounts payable to auditor:		
Audit of these financial statements	131	153
Audit of financial statements of subsidiaries	188	112
Pension Scheme audit – defined benefit scheme	16	13
Audit-related assurance services	6	10
Depreciation of fixed assets	12,882	12,038
Depreciation of right-of-use assets	14,996	-
Impairment of fixed assets	1,973	9,259
Impairment of right-of-use assets	12,768	-
Equipment rentals payable under operating leases	554	607
Property rentals payable under operating leases	-	41,796

### 5 - Employee, Directors and Key Management information

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Employee costs during the period:		
Agency wages	12,876	16,437
Employee wages and salaries	29,903	28,534
Employer's social security costs	2,420	2,361
Employer's pension costs	887	640
Government grant	(4,943)	-
	<b>41,143</b>	<b>47,972</b>
Average monthly staff employed:		
Hotel Operating Staff (excluding agency)	<b>1,483</b>	<b>1,510</b>

All employees are employed by GLH Hotels Management (UK) Limited or GLH Hotels HR Limited and a recharge is made by these Companies in respect of the persons employed by each hotel.

Government grant income received is from the Government's Coronavirus Job Retention Scheme. This allowed the Company to reclaim an element of wages and salaries, social security and pension costs for employees who were furloughed after March 2020.

The expenses for employers' pension costs include expenses related to the defined benefit and defined contribution schemes.

The directors are remunerated for their services to the Group as a whole which is disclosed in the financial statements of GLH Hotels Management (UK) Limited and GL Limited. An amount of £135,000 (2019: £170,000) has been apportioned to the Group based on the services performed by directors for the individual undertakings within the Group.

### 6 – Finance income

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Bank interest receivable	114	169
Other interest receivable	106	-
Interest on SWAP arrangements expired in the year	207	-
Interest paid by related parties	3,112	2,852
Net income on retirement benefit obligations	156	293
	<b>3,695</b>	<b>3,314</b>

## Notes to the financial statements (continued)

### 7 – Finance Costs

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Debenture stock and loan interest	7,878	9,451
Lease liability interest (note 12)	34,271	-
	<u>42,149</u>	<u>9,451</u>

### 8 – Profit/(Loss) from Disposals of Fixed Assets

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Profit from Disposal through Compulsory Purchase Order	12,526	-
Other loss on disposal	(306)	(1,433)
	<u>12,220</u>	<u>(1,433)</u>

Disposals in the current year related to the disposal of assets in The Grosvenor Hotel Victoria Limited. On 23 February 2017, Royal Assent was given to the HS2 rail line and the Government issued a Compulsory Purchase Order ("CPO"), with the Euston hotel closing on 4 October 2017. In 2020 the Group received and recognised the final compensation instalment of £12.5m. In 2018, the Group recognised a £6.7m loss on disposal of the assets held by Euston Hotel at the date of the CPO.

### 9 - Taxation

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
<i>Recognised in the statement of profit or loss</i>		
UK Corporation tax		
Current tax on profits for the year	194	4,850
Adjustments in respect of previous years	(1,625)	(6,576)
<b>Current tax credit</b>	<u>(1,431)</u>	<u>(1,726)</u>
Deferred taxation		
Current year tax credit	(2,960)	(1,476)
Adjustments in respect of previous years	841	280
Effect of changes in tax rates on:		
IFRS 16 transitional adjustment	(2,695)	-
Other deferred tax assets and liabilities	1,098	152
<b>Deferred tax credit</b>	<u>(3,716)</u>	<u>(1,044)</u>
<b>Actual tax credit recognised in the statement of profit or loss</b>	<u>(5,147)</u>	<u>(2,770)</u>
<i>Recognised in Other Comprehensive Income</i>		
Deferred tax on pension surplus	(208)	(452)
Deferred tax on pension deficit-prior year	-	(78)
Deferred tax credit on other comprehensive income	<u>(208)</u>	<u>(530)</u>
Current tax on pension deficit	(271)	(529)
Current tax credit on other comprehensive income	<u>(271)</u>	<u>(529)</u>
Deferred tax on interest rate swap	(130)	136
Deferred tax (credit)/charge on change in fair value on cash flow hedge	<u>(130)</u>	<u>136</u>
<b>Actual tax credit recognised in other comprehensive income</b>	<u>(609)</u>	<u>(923)</u>

Reconciliation of Effective tax rate	%	Year ended 30 June 2020 £000's	%	Year ended 30 June 2019 £000's
(Loss)/profit before tax for the year	100.0	(21,857)	100.0	11,818
Expected tax (credit)/charge at 19.0% (2019: 19.0%)	19.0	(4,153)	19.0	2,245
Adjustments in respect of previous years	3.5	(784)	(53.3)	(6,296)
Items not subject to tax or deductible for tax purposes	(2.4)	523	2.3	270
Income not taxable	0.0	(3)	-	-
Tax rate changes:				
IFRS 16 transitional adjustment	12.3	(2,695)	-	-
Other	(5.0)	1,098	1.3	152
Amounts not recognised	(3.9)	867	7.3	859
<b>Actual tax credit</b>	<u>23.5</u>	<u>(5,147)</u>	<u>(23.4)</u>	<u>(2,770)</u>

On 17 March 2020 a change to the future corporation tax rate was substantively enacted. The corporation tax rate remains at 19% for the tax years starting on 1 April 2020 and 1 April 2021. This replaced the previously enacted reduction to 17% (effective from 1 April 2020) on 6 September 2016.



## Notes to the financial statements (continued)

### 10 - Property, plant and equipment

#### Group

	Land and buildings	Fit out costs, plant and equipment	Total
	£000's	£000's	£000's
<b>Cost</b>			
At the beginning of the year	666,153	207,244	873,397
Additions	499	15,114	15,613
Disposals	(317)	(466)	(783)
Transfers	-	1,778	1,778
At the end of the year	<u>666,335</u>	<u>223,670</u>	<u>890,005</u>
<b>Depreciation</b>			
At the beginning of the year	78,978	153,493	232,471
Charge for the year	6,270	6,612	12,882
Disposals	(165)	(312)	(477)
Impairments	1,519	454	1,973
At the end of the year	<u>86,602</u>	<u>160,247</u>	<u>246,849</u>
<b>Net book value</b>			
As at 30 June 2020	<u>579,733</u>	<u>63,423</u>	<u>643,156</u>

#### Group

	Land and buildings	Fit out costs, plant and equipment	Total
	£000's	£000's	£000's
<b>Cost</b>			
At the beginning of the year	625,219	221,616	846,835
Additions	23,987	9,172	33,159
Disposals	(1,654)	(4,943)	(6,597)
Reclassification	18,601	(18,601)	-
At the end of the year	<u>666,153</u>	<u>207,244</u>	<u>873,397</u>
<b>Depreciation</b>			
At the beginning of the year	66,633	149,705	216,338
Charge for the year	5,639	6,399	12,038
Disposals	(784)	(4,380)	(5,164)
Impairments	7,565	1,694	9,259
Reclassification	(75)	75	-
At the end of the year	<u>78,978</u>	<u>153,493</u>	<u>232,471</u>
<b>Net book value</b>			
As at 30 June 2019	<u>587,175</u>	<u>53,751</u>	<u>640,926</u>

One property (2019: one) with aggregate carrying value of £99,640,000 (2019: £91,255,000) is charged as security for the Group's debenture borrowing facilities.

Transfers in the year ended 30 June 2020 are from related party GLH Hotels Management (UK) Limited. The transfers were at net book value resulting in no gain or loss.

At 30 June 2020, the Group's properties were assessed for indications of impairment.

The recoverable amounts of the properties are determined from value in use calculations or fair value less costs to sell. In the value in use calculations the key assumptions used are in relation to discount and growth rates. Growth rates incorporate occupancy, room rate, volume and direct cost changes. Directors used a pre-tax discount factor of 9.78% (2019: 9.81%) over the forecast period for all but one hotel, which used 10.49%. As a result, an impairment was recorded predominantly in relation to the Heathrow and Barbican hotels, as noted in the Strategic Report on page 1.

Prior year reclassification: £18,601,000 of assets previously categorised under fit out costs, plant and equipment were reclassified to Land and Buildings with associated depreciation of £75,000. Following a review it was deemed more appropriate to reclassify these assets as they were being depreciated in line with Land and Buildings.

Disposals during the year related to the disposal of assets in The Grosvenor Hotel Victoria Limited.

When performing the impairment review the relevant growth rates included were specific to each operating site. The process of determining these rates is discussed in note 28.

This analysis took into account external views of the London hotel market and the likely time of continuing recovery from the current economic environment.

## Notes to the financial statements (continued)

### 11 - Investment in subsidiaries

Company	£000's
<b>Cost</b>	
At the beginning of the financial year	803,347
Additions	-
At the end of the financial year	<u>803,347</u>
<b>Impairment</b>	
At the beginning of the financial year	198,119
Impairment made during the financial year	6,820
At the end of the financial year	<u>204,939</u>
<b>Net book value as at 30 June 2020</b>	<u><b>598,408</b></u>
	£000's
<b>Cost</b>	
At the beginning of the financial year	803,347
Additions	-
At the end of the financial year	<u>803,347</u>
<b>Impairment</b>	
At the beginning of the financial year	197,364
Impairment made during the financial year	755
At the end of the financial year	<u>198,119</u>
<b>Net book value as at 30 June 2019</b>	<u><b>605,228</b></u>

The Company holds 100% of the ordinary shares in the following companies:

Bloomsbury Hotel (London) Limited	The Grosvenor Hotel Victoria Limited	The Cumberland Hotel (London) Limited
Euston Hotel (London) Limited	The Tower Hotel (London) Limited	Barbican Hotel (London) Limited
Piccadilly Hotel (London) Limited	The Charing Cross Hotel Limited	Thistle Edinburgh Tenant Limited
Kensington Gardens Hotel (London) Limited	Heathrow Hotel (London) Limited	GLH Hotels HR Limited
The Royal Horseguards Hotel Limited	The Wiltshire Hotel (Swindon) Limited	Trafalgar Hotel (London) Limited
The Strathmore Hotel (Luton) Limited	Marble Arch Hotel (London) Limited	Hyde Park Hotel (London) Limited

All of the companies are registered and incorporated in the United Kingdom. The registered address for all the companies is 110 Central Street, London, EC1V 8AJ.

The Company is a 50% member of the limited liability partnership in the Grand Imperial Restaurant LLP, but holds a casting vote. This has been consolidated as a subsidiary in the Group accounts. The registered address for Grand Imperial Restaurant LLP is 110 Central Street, London, EC1V 8AJ.

The directors have performed a formal assessment of the carrying value of the cost of investment in subsidiary undertakings. As a result of this assessment, an impairment was recorded against the Company's investment in Heathrow Hotel (London) Limited, Barbican Hotel (London) Limited and Trafalgar Hotel (London) Limited.

### 12 – Leases (Group as lessee)

#### Group

Right-of-use assets comprise of leased assets that do not meet the definition of investment property.

The Group lease many assets, including land and buildings, IT equipment and other office furniture and equipment. Information about leases for which the Group is a lessee is presented below.

#### Right-of-use assets

As at 30 June 2020	Property £000's	Total £000's
Balance as at 1 July 2019	531,175	531,175
Additions	6,718	6,718
Depreciation charge for the year	(14,996)	(14,996)
Impairment charge	(12,768)	(12,768)
<b>Balance as at 30 June 2020</b>	<u><b>510,129</b></u>	<u><b>510,129</b></u>

Additions in the year relate to a remeasurement, as a result of a change in the future lease payments under the lease.

Depreciation charge for the year is on a straight-line basis over the remaining term of the underlying lease. Impairment charge relates to the right-of-use assets of the Heathrow, Barbican, Luton and Swindon hotels following the Group's impairment assessment. See note 28 for details on key judgements and estimates in relation to this assessment.

## Notes to the financial statements (continued)

### 12 – Leases (Group as lessee) (continued)

#### Lease liabilities

Lease liabilities included in the statement of financial position:

	Year ended 30 June 2020 £000's
Current	10,361
Non-current	654,623
	<u>664,984</u>

#### Maturity Analysis

	30 June 2020 £000's
Less than one year	43,220
One to five years	173,758
More than five years	1,833,682
Total undiscounted lease liabilities at 30 June 2020	<u>2,050,660</u>

The Group does not face a significant liquidity risk with regard to its lease liability. Lease liabilities are monitored within the Group's treasury function.

The leases operated by the Group contain extension options, enforceable and exercisable by the Group, up to one year before the end of the non-cancellable contract period. Where practical, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control. The lease liability would increase by £38,190,000 if all future lease extension options had been included within the Group's year-end lease liability.

#### Amounts recognised in Profit and Loss

The following amounts have been recognised in profit or loss for which the Group is a lessee:

Leases under IFRS 16	Year ended 30 June 2020 £000's
Interest on lease liabilities	(34,271)
Income from sub-leasing right-of-use assets	3,252
Expenses relating to short-term leases	(8)
Expenses relating to low-value assets, excluding short term leases of low-value assets	(147)

#### Leases under IAS 17

	Year ended 30 June 2019 £000's
Lease expense	(42,403)

#### Amounts recognised in the Statement of Cash Flows

	Year ended 30 June 2020 £000's
Interest paid on lease liabilities	(34,271)
Repayment of lease liabilities	(8,683)
Total cash outflow for leases	<u>(42,954)</u>

The Group leases land and buildings for its hotels. The leases of hotel space run for periods between 9 and 148 years. The nature of the lease agreements contain extension and renewal options. The options to renew the leases will be on the same basis of the original contract term.

The lease arrangements do not contain variable lease payments, however, are subject to rent review in line with market conditions and consumer price indices.

The Group leases various IT equipment and office machinery, with lease terms ranging between one and five years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

## Notes to the financial statements (continued)

### 13 - Inventories

	Food Inventory £000's	Beverage Inventory £000's	Retail Inventory £000's	Total £000's
<b>Group</b>				
<b>Cost</b>				
At the beginning of the year	218	277	511	1,006
Purchases	5,655	1,597	6	7,258
Utilised during the year	(5,782)	(1,642)	(234)	(7,658)
At the end of the year	91	232	283	606

#### As at 30 June 2019

<b>Cost</b>				
At the beginning of the year	191	150	-	341
Purchases	7,151	2,012	867	10,030
Utilised during the year	(7,124)	(1,885)	(356)	(9,365)
At the end of the year	218	277	511	1,006

All inventories held are expected to be utilised within 12 months.

#### Company

The company did not hold any inventory (2019: £nil).

### 14 - Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	30 June 2020 £'000	30 June 2019 £'000	30 June 2020 £'000	30 June 2019 £'000
<b>Current Assets</b>				
Trade receivables	1,485	9,903	-	-
Provision for bad debt	(791)	(839)	-	-
Net trade receivables	694	9,064	-	-
Amounts owed by related parties	3,314	1,510	3,314	1,510
Amounts owed by immediate parent company	104,819	109,578	104,819	109,579
Amounts owed by parent company of the group	13	-	13	-
Amounts owed by subsidiaries	-	-	95,600	84,126
Other receivables	2,980	2,660	110	393
Prepayments	640	8,342	51	8
Accrued income	104	1,960	-	-
Other taxation and social security	-	-	29	4,793
Corporation Tax	889	1,404	4,124	13,016
	113,453	134,518	208,060	213,425

#### Trade receivables that are not impaired

	<b>Group</b>		<b>Company</b>	
	30 June 2020 £'000	30 June 2019 £'000	30 June 2020 £'000	30 June 2019 £'000
Neither past due nor impaired	(415)	2,655	-	-
Less than 1 month past due	(305)	3,824	-	-
1 to 3 months past due	799	1,882	-	-
Greater than 3 months past due	615	703	-	-
	694	9,064	-	-

Credit balances relate to unallocated cash at the year ended 30 June 2020.

Trade debtors that are not impaired refer to debtors where no provision of doubtful debts is provided and ageing is past credit term.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

## Notes to the financial statements (continued)

### 14 - Trade and other receivables (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as these are considered fully recoverable. The Group does not hold any collateral over these balances.

### 15 - Trade and other payables

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	£'000	£'000	£'000	£'000
<b>Current liabilities</b>				
Trade payables	4,221	5,956	-	-
Other taxation and social security	8,661	7,064	-	-
Other payables	14,780	19,312	7,003	2,110
Amounts owed to subsidiaries	-	-	203,399	179,232
Amounts owed to related parties	1,002	6,235	1,002	6,235
Accruals	2,237	7,413	-	-
	<u>30,901</u>	<u>45,980</u>	<u>211,404</u>	<u>187,577</u>

### 16 - Borrowings

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	£'000	£'000	£'000	£'000
<b>Non-current</b>				
Unsecured bank loan	96,201	108,730	96,201	108,730
7.875% fixed rate debenture stock – repayable June 2022	55,285	55,248	55,285	55,248
	<u>151,486</u>	<u>163,978</u>	<u>151,486</u>	<u>163,978</u>

During the prior year the unsecured £200m facility was refinanced, with a revised maturity date of September 2023 and has an interest rate of Libor plus 1.12%. £97.0m of the facility was drawn-down as at 30 June 2020 (2019: £138.0m). During the current financial year, £23.0m of the loan was re-paid (2019: £28.0m), and £10.0m was drawn-down (2019: £nil). Further drawdowns were made after the balance sheet date, see note 27. No loan amendment fees (2019: £1.2m) were paid during the year. During the financial year, £0.5m (2019: £0.7m) of loan fees were capitalised.

The fixed debenture stock is listed on the London Stock Exchange.

### 17 - Derivative Financial Instrument

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	£'000	£'000	£'000	£'000
Interest rate swaps	2,868	2,658	2,868	2,658
	<u>2,868</u>	<u>2,658</u>	<u>2,868</u>	<u>2,658</u>

For purpose of hedging the change in interest rates in respect of the variable-rate bank loan, the Company has entered into the following hedges:

An interest rate swap with total nominal value of £138m (2019: £138m) which requires the Group to pay a fixed interest of 2.43% (2019: 2.47% till 15 June 2019 and 2.43% till 15 December 2019) and allows it to receive a variable rate equal to LIBOR on the notional amount. The interest rate swap has a 3-year tenor commencing from 16 December 2016 and is valued based on the swap model valuation approach using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve. The interest rate swap expired on 16 December 2019 (2019: £110m of the total nominal value of the interest rate swap was designated for hedge accounting).

During last financial year, the Group made a partial repayment of the bank loan of £28m (see Note 16) and concurrently entered into an interest rate swap with total nominal value of £28m to hedge the existing interest rate swap which may be exposed to interest rate volatility as a result of the loan repayment. The interest rate swap requires the Group to receive a fixed interest 0.88% and to pay a variable rate equal to LIBOR on the notional amount. The interest rate swap has a 15 months tenor commencing from 16 September 2018 and is valued based on the swap model valuation approach using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve. The interest rate swap expired on 16 December 2019.

As result of extension of loan maturity date from 16 December 2019 to September 2023, two forward interest rate swaps with total nominal value of £75m (2019: £75m) and matching tenors to repayment due dates of the last two tranches of the loan (i.e. tenors of 33 months and 45 months) were entered into by the Group. These forward interest rate swaps require the Group to pay a fixed interest and receive a variable rate equal to LIBOR on the notional amount. The interest rate swaps are valued using valuation technique with market observable inputs. The valuation technique is swap model, using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve.

The Group's and the Company's exposure to credit, liquidity, interest rate and foreign currency risks and fair value information related to derivative financial instruments are disclosed in Note 20.

## Notes to the financial statements (continued)

### 18 - Provisions

#### Group

	Legacy Lease £000's	Total £000's
<b>As at 30 June 2020</b>		
Balance as at 1 July 2019	-	-
Provisions made during the year	5,247	5,247
Balance as at 30 June 2020	<u>5,247</u>	<u>5,247</u>
		<b>Year ended 30 June 2020 £000's</b>
Current		461
Non-current		<u>4,786</u>
		<u>5,247</u>

#### Company

	Legacy Lease £000's	Total £000's
<b>As at 30 June 2020</b>		
Balance as at 1 July 2019	-	-
Provisions made during the year	5,247	5,247
Balance as at 30 June 2020	<u>5,247</u>	<u>5,247</u>
		<b>Year ended 30 June 2020 £000's</b>
Current		461
Non-current		<u>4,786</u>
		<u>5,247</u>

#### Provision for legacy lease

During the year, the Company received demands under guarantee obligations for two hotel leases which were assigned out of the Group in previous years. The relevant properties were leased to another subsidiary of the Company ("Subsidiary A"). The claimant is a previous lessee of the relevant properties and had assigned the lease to Subsidiary A in 1989. The Company provided a guarantee in favour of the claimant ("Guarantee") when leases were assigned by the claimant to Subsidiary A.

Subsidiary A assigned the leases to third parties in 2003 and was voluntarily dissolved in 2008. The Guarantee remains valid.

Under UK law, a landlord may require the previous tenant of a property to assume liability under a lease for the property which came into existence prior to 1996 if the current tenant does not perform its obligations.

The current tenant of the Properties has ceased to pay rent and other amounts due under the leases, and the landlord has demanded that the claimant to pay such rent and other amounts due under the leases. In turn, the claimant made a claim against the Company under the Guarantee for such rent and other amounts. The rent is about £450,000 per annum, subject to fixed rent review at intervals, and the leases have remaining term of approximately 47 years.

As the Company may be required to meet rent and other amounts payable under the leases, the Company and Group has provided £5,247,000 for all future rents on these leases.

## Notes to the financial statements (continued)

### 19 - Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities were as follows:

	30 June 2019	Recognised in profit and loss	Recognised in other comprehensive income	30 June 2020
	£'000	£'000	£'000	£'000
<b>Group</b>				
<b>Liability/(Assets)</b>				
Employee Benefits	952	213	(208)	957
Property	8,339	1,911	-	10,250
IFRS 16 transitional adjustment <sup>1</sup>	(22,903)	(1,909)	-	(24,812)
Losses	(373)	(6,314)	-	(6,687)
Gains	4,803	2,369	-	7,172
Interest Rate Swap	(452)	37	(130)	(545)
Provisions/unpaid Accruals	(7)	(23)	-	(30)
	<u>(9,641)</u>	<u>(3,716)</u>	<u>(338)</u>	<u>(13,695)</u>
<b>Company</b>				
<b>Liability/(Assets)</b>				
Employee Benefits	952	213	(208)	957
Losses	-	(194)	-	(194)
Interest Rate Swap	(452)	37	(130)	(545)
Provisions/unpaid Accruals	(7)	(23)	-	(30)
	<u>493</u>	<u>33</u>	<u>(338)</u>	<u>188</u>
	30 June 2018	Recognised in profit and loss	Recognised in other comprehensive income	30 June 2019
	£'000	£'000	£'000	£'000
<b>Group</b>				
<b>Liability/(Assets)</b>				
Employee Benefits	1,469	13	(530)	952
Property	10,169	(1,830)	-	8,339
Losses	(404)	31	-	(373)
Gains	4,023	780	-	4,803
Interest Rate Swap	(552)	(36)	136	(452)
Provisions/unpaid Accruals	(5)	(2)	-	(7)
	<u>14,700</u>	<u>(1,044)</u>	<u>(394)</u>	<u>13,262</u>
<b>Company</b>				
<b>Liability/(Assets)</b>				
Employee Benefits	1,469	13	(530)	952
Interest Rate Swap	(552)	(36)	136	(452)
Provisions/unpaid Accruals	(5)	(2)	-	(7)
	<u>912</u>	<u>(25)</u>	<u>(394)</u>	<u>493</u>

Deferred tax assets and liabilities are offset when there is a right to set off current tax assets and liabilities which relate to the same taxation jurisdiction. Deferred tax assets are recognised on the basis that they will be absorbed by forecast future taxable profits. As at 30 June 2020, the Company has temporary differences of £2,455,000 (2019: £1,741,000) (unprovided deferred tax asset in respect of unrealised capital losses) on which no deferred tax asset is recognised due to insufficient evidence that these amounts will be recovered in the foreseeable future.

<sup>1</sup> Includes IFRS 16 transitional adjustment at 1 July 2019. See Note 1(B) for IFRS 16 impact on transition.

## Notes to the financial statements (continued)

### 20 - Financial instruments

#### a) Financial risk management policies and objectives

Exposure to liquidity, credit, interest rate and currency risk arises in the normal course of the Group's business. The Group manages financial risk within its general risk management philosophy and framework.

Derivative financial instruments may be used to reduce the exposure of underlying assets and liabilities to fluctuations in interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

#### b) Liquidity risk

Liquidity is managed on a daily basis by the treasury and finance departments of the Group. They are responsible for ensuring that the Group has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Group manages liquidity risk on behalf of the Company and its subsidiaries by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

The Group is financed by a combination of an unsecured bank loan with an external lender, unsecured RCF with an external lender, debentures and cash. The Group also has access to an uncommitted, unsecured facility which is used as and when required to fund the Group's cash needs.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

As at 30 June 2020	Carrying amount	Total contractual undiscounted cashflow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Group</b>						
<b>Non-derivative financial liabilities:</b>						
Secure debenture stocks	55,285	64,098	4,360	59,738	-	-
Unsecured bank loans	96,201	101,051	7,476	7,380	86,195	-
Trade and other payables	30,901	30,901	30,901	-	-	-
Bank overdraft	1,232	1,232	1,232	-	-	-
<b>Derivative financial liabilities:</b>						
Interest rate swaps used for hedging (net settled)	2,868	3,032	1,037	1,037	958	-
	<u>186,487</u>	<u>200,314</u>	<u>45,006</u>	<u>68,155</u>	<u>87,153</u>	<u>-</u>
<b>As at 30 June 2019</b>						
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Group</b>						
<b>Non-derivative financial liabilities:</b>						
Secure debenture stocks	55,248	68,458	4,360	4,360	59,738	-
Unsecured bank loans	108,730	116,804	2,106	16,875	97,823	-
Trade and other payables	45,980	45,980	45,980	-	-	-
<b>Derivative financial liabilities:</b>						
Interest rate swaps used for hedging (net settled)	2,658	2,597	1,272	452	873	-
	<u>212,616</u>	<u>233,839</u>	<u>53,718</u>	<u>21,687</u>	<u>158,434</u>	<u>-</u>

#### c) Credit risk

The Group's credit risks are primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank deposits are managed by the Group and are only deposited in, and debt securities are only purchased from, counterparties who have high credit quality. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. The Group has limits for exposures to individual counterparty and country to manage concentration risk.

The hotel business' has its own credit policy to allow credit period of up to 60 days for its customers. The Group has no significant concentrations of credit risks and does not obtain any collateral from customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet after deducting any impairment allowance.



## Notes to the financial statements (*continued*)

### 20 - Financial instruments (*continued*)

#### d) *Interest rate risk*

The Group's and Company's interest rate risk arises from treasury activities and borrowings. Interest rate risk is managed by the treasury department within approved limits. The Group and Company also uses interest rate swaps to manage its interest rate exposure as appropriate. As at 30 June 2020, the Group has entered into an interest rate swap with total nominal value of £138m (2019: £138m) which requires the Group to pay a fixed interest of 2.43% (2019: 2.47% till 15 June 2019 and 2.43% till 15 December 2019) and allows it to receive a variable rate equal to LIBOR on the notional amount. The interest rate swap has a 3-year tenor commencing from 16 December 2016 and is valued based on the swap model valuation approach using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve. The interest rate swap expired on 16 December 2019 (2019: £110m) of the total nominal value of the interest rate swap was designated for hedge accounting.

During the last financial year, the Group made a partial repayment of the bank loan of £28m (see Note 16) and concurrently entered into an interest rate swap with total nominal value of £28m to hedge the existing interest rate swap which may be exposed to interest rate volatility as a result of the loan repayment. The interest rate swap requires the Group to receive a fixed interest 0.88% and to pay a variable rate equal to LIBOR on the notional amount. The interest rate swap has a 15 months tenor commencing from 16 September 2018 and is valued based on the swap model valuation approach using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve. The interest rate swap expired on 16 December 2019.

As result of extension of loan maturity date from 16 December 2019 to September 2023, two forward interest rate swaps with total nominal value of £75m (2019: £75m) and matching tenors to repayment due dates of the last two tranches of the loan (i.e. tenors of 33 months and 45 months) were entered into by the Group. These forward interest rate swaps require the Group to pay a fixed interest and receive a variable rate equal to LIBOR on the notional amount. The interest rate swaps are valued using valuation technique with market observable inputs. The valuation technique is swap model, using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve.

There is no sensitivity to changes in floating interest rates as movements in the floating rate of the unsecured bank loan will offset with the amount received on the interest rate swap.

#### e) *Currency risk*

The Group's net monetary assets and liabilities are denominated in sterling and therefore are not subject to currency risk.

#### f) *Financial assets*

The Group's financial assets as at 30 June 2020 comprised interest bearing cash balances of £22,492,000 (2019: £19,744,000) and receivables of £113,453,000 (2019: £134,518,000). There was no difference between the carrying value and the fair value of financial assets at 30 June 2020 (2019: no difference).

The Company's financial assets as at 30 June 2020 comprised interest bearing cash balances of £22,225,000 (2019: £9,444,000), and receivables of £208,060,000 (2019: £213,425,000). There was no difference between the carrying value and the fair value of financial assets at 30 June 2020 (2019: no difference).

#### g) *Capital management*

The Group defines the capital that it manages as the Group's total equity and net debt balances.

The Group's objectives are to safeguard its ability to continue as a going concern providing returns to shareholders, through the optimization of the debt and equity balances, and to maintain a strong credit rating and headroom. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

There has been no change in the objectives, policies or processes with regards to capital management during the years ended 30 June 2019 and 30 June 2020.

#### h) *Fair value of financial instruments*

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## Notes to the financial statements (continued)

### 20 - Financial instruments (continued)

#### h) Fair value of financial instruments (continued)

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

Fair value of financial instruments					
Group- As at 30 June 2020					
	Carrying amount £000's	Fair value £000's	Level 1 £000's	Level 2 £000's	Level 3 £000's
<b>Loans and receivables</b>					
Cash and cash equivalents	22,492	22,492	-	22,492	-
Trade receivables (note 14) <sup>2</sup>	694	694	-	694	-
Other receivables (note 14)	3,084	3,084	-	3,084	-
<b>Pension plan assets (note 24)</b>					
Equities	68,821	68,821	-	68,821	-
Bonds	36,870	36,870	-	36,870	-
Cash	3,481	3,481	-	3,481	-
Insurance policy	5,257	5,257	-	-	5,257
<b>Total financial assets</b>	<b>140,699</b>	<b>140,699</b>	<b>-</b>	<b>135,442</b>	<b>5,257</b>
<b>Financial liabilities held for trading</b>					
Interest Rate Swaps (note 17)	(2,868)	(2,868)	-	(2,868)	-
<b>Financial liabilities</b>					
Trade payables (note 15)	(4,221)	(4,221)	-	(4,221)	-
Other payables (note 15)	(14,780)	(14,780)	-	(14,780)	-
Bank overdraft	(1,232)	(1,232)	-	(1,232)	-
<b>Total financial liabilities</b>	<b>(23,101)</b>	<b>(23,101)</b>	<b>-</b>	<b>(23,101)</b>	<b>-</b>
<b>Total financial instruments</b>	<b>117,598</b>	<b>117,597</b>	<b>-</b>	<b>112,523</b>	<b>5,257</b>
Group- As at 30 June 2019					
	Carrying amount £000's	Fair value £000's	Level 1 £000's	Level 2 £000's	Level 3 £000's
<b>Loans and receivables</b>					
Cash and cash equivalents	19,744	19,744	-	19,744	-
Trade receivables (note 14)	9,903	9,903	-	9,903	-
Other receivables (note 14)	2,660	2,660	-	2,660	-
<b>Pension plan assets (note 24)</b>					
Equities	51,689	51,689	-	51,689	-
Bonds	48,235	48,235	-	48,235	-
Cash	639	639	-	639	-
<b>Total financial assets</b>	<b>132,870</b>	<b>132,870</b>	<b>-</b>	<b>132,870</b>	<b>-</b>
<b>Financial liabilities held for trading</b>					
Interest Rate Swaps (note 17)	(2,658)	(2,658)	-	(2,658)	-
<b>Financial liabilities</b>					
Trade payables (note 15)	(5,956)	(5,956)	-	(5,956)	-
Other payables (note 15)	(19,312)	(19,312)	-	(19,312)	-
<b>Total financial liabilities</b>	<b>(27,926)</b>	<b>(27,926)</b>	<b>-</b>	<b>(27,926)</b>	<b>-</b>
<b>Total financial instruments</b>	<b>104,944</b>	<b>104,944</b>	<b>-</b>	<b>104,944</b>	<b>-</b>

#### Financial Instrument

Interest rate swap

#### Valuation Technique

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

### 21 - Share Capital

	Number of shares 30 June 2020 No.	Number of shares 30 June 2019 No.	Nominal Value 30 June 2020 £'000	Nominal Value 30 June 2019 £'000
Ordinary shares of 25.65 pence each				
Issued and fully paid:				
At the beginning and end of the year	<b>310,545,214</b>	<b>310,545,214</b>	<b>79,655</b>	<b>79,655</b>

The holders of ordinary shares are entitled to receive dividends as declared from time-to-time, and are entitled to one vote per share at meetings of the Company.

<sup>2</sup> The current year trade receivables balance disclosed is net of bad debt provision

## Notes to the financial statements (continued)

### 22- Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

### 23- Retained earnings

The retained earnings reserve comprises the cumulative net gains and losses recognised earnings in the consolidated statement of comprehensive income. During the financial year the Company issued a dividend of £nil (2019: £nil).

The non-controlling interest balance of £1,983,000 (2019: £1,983,000) relates to the loss attributable to the other members of the Grand Imperial Restaurant LLP.

### 24 - Retirement benefit obligations

The Group operates two Schemes, both of which are closed to new members, which are of the funded defined benefit type and their assets are held in separate funds administered by Trustees.

The amounts recognised in the balance sheet have been determined by a qualified independent actuary by updating the latest full actuarial assessments of the schemes as at 1 May 2017 to 30 June 2020 and comprise:

#### Retirement Benefit Obligations

	30 June 2020 £000's	30 June 2019 £000's	30 June 2018 £000's	30 June 2017 £000's	30 June 2016 £000's	30 June 2015 £000's
Fair Value of Schemes' investment assets	114,429	100,563	98,044	98,108	94,473	92,057
Present value of unfunded obligations	(109,390)	(94,964)	(89,400)	(97,657)	(92,522)	(85,476)
Net Surplus in schemes	5,039	5,599	8,644	451	1,951	6,581

#### Statement of Financial Position Reconciliation

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Net asset at beginning of the year	5,599	8,644
Pension expense recognised in profit or loss in the financial year	17	(47)
Amounts recognised in OCI in the financial year	(2,781)	(5,897)
Employer contributions made in the financial year	2,204	2,899
<b>Net asset at the end of the year</b>	<b>5,039</b>	<b>5,599</b>

The below table provides an estimate of contributions for the year ended 30 June 2020

	Year ended 30 June 2020 £000's
Company contributions	2,204
Member contributions	4
<b>Total</b>	<b>2,208</b>

Neither scheme has any minimum funding requirements. The Group expects to pay £2,000,000 (2020: £2,204,000) in contributions to its defined benefit plans in 2021.

The Trustees are responsible for:

- Running the scheme (supported by advisors as required to fulfil their duties);
- Agreeing cash funding from the company; and
- Setting a formal investment strategy for the scheme that balances risk and return.

The schemes are ring-fenced from the company and administered under UK Trust Law.

#### Principal actuarial assumptions

	Year ended 30 June 2020 %	Year ended 30 June 2019 %
<b>Financial assumptions</b>		
Discount rate	1.45	2.30
Inflation assumption (RPI)	2.80	3.20
Inflation assumption (CPI)	2.20	2.20
Rate of increase in salaries	1.00	3.70
Rate of increase to pensions in payment (RPI maximum 5% pa)	2.75	3.10
Rate of increase to pensions in payment (CPI maximum 3% pa)	1.95	1.95
Rate of increase to pensions in payment (CPI maximum 2.5% pa)	1.80	1.80
<b>Demographic assumptions</b>		
Life expectancy at age 65 of male member aged 65 at year-end	21.6 years	21.5 years
Life expectancy at age 65 of male member aged 45 at year-end	23.5 years	22.8 years

## Notes to the financial statements (continued)

### 24 - Retirement benefit obligations (continued)

In the current financial year, the Group reduced the RPI and CPI gap to 0.6% (2019: 1.0%) to reflect current market conditions in light of the UK Government's proposal to amend the RPI index by aligning it with CPIH at a future date between 2025 and 2030. The impact of this change is a decrease in the net surplus of £713,000. In addition, the Group has updated its estimates around future salary increases, with this now set as a 1% increase p.a. (2019: RPI + 0.5%), as a best estimate of long-term salary growth for the remaining active members of the scheme. The impact of this change is an increase in the net surplus of £224,000.

#### Changes in the fair value of the Schemes' assets

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Fair value of Schemes' assets at start of the financial year	100,563	98,044
Net interest on Scheme assets	2,298	2,777
Remeasurement loss on scheme assets	13,084	(404)
Contributions from the Company	2,204	2,899
Contributions from members	4	4
Benefits paid	(3,724)	(2,757)
Fair value of Schemes' assets at end of the financial year	<u>114,429</u>	<u>100,563</u>

#### Analysis of Scheme assets

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Equities / Diversified Growth Fund	68,821	51,689
Bonds	36,870	48,235
Cash	3,481	639
Insurance policy	5,257	-
Total market value of assets	<u>114,429</u>	<u>100,563</u>

All the Schemes' assets are quoted on active investments markets.

No amounts are included in the Schemes' assets in respect of the shares of the Company or its ultimate parent company.

In the current financial year, on review of the assets within the pension scheme, it was noted that the scheme has an insurance policy which should be recognised as a separate scheme asset. As this asset does not have a material impact on the net surplus position in the prior years there has not been any changes to comparatives

#### Changes in the present value of the Schemes' unfunded obligations

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Present value of the Schemes' obligation at the start of the financial year	94,964	89,400
Current service cost	139	121
Past service cost	-	218
Interest cost	2,142	2,485
Actuarial (gain)/ loss arising from changes in financial assumptions	15,954	7,308
Actuarial gain arising from changes in demographic assumptions	369	(2,041)
Actuarial (loss)/gain arising from experience	(458)	226
Contributions from members	4	4
Benefits paid	(3,724)	(2,757)
Present value of the Schemes' obligation at the end of the financial year	<u>109,390</u>	<u>94,964</u>

#### Sensitivity analysis

Changes in the following principal actuarial assumptions would have the following effect on the defined benefit surplus:

	30 June 2020 Increase/ (decrease) £000's	30 June 2019 Increase/ (decrease) £000's
<b>Discount rate:</b>		
1 percentage point increase	1,580	1,370
1 percentage point decrease	(1,590)	(1,400)
<b>Rate of increase in salaries:</b>		
1 percentage point increase	(100)	(100)
1 percentage point decrease	100	100
<b>Inflation:</b>		
1 percentage point increase	(800)	(740)
1 percentage point decrease	810	740
<b>Life expectancy:</b>		
One-year increase	(5,900)	(4,500)
One-year decrease	5,670	4,500

## Notes to the financial statements (continued)

### 24 - Retirement benefit obligations (continued)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 1 May 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

#### Amounts recognised in the Statement of Profit and Loss and Other Comprehensive Income

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Included in operating costs:		
Current service cost	139	121
Past service cost	-	219
Included in financing costs:		
Net interest receivable on the Scheme's surplus	(156)	(293)
<b>Pension (benefit)/expense recognised in profit and loss</b>	<b>(17)</b>	<b>47</b>
Included in other comprehensive income:		
Return on plan assets below/ (in excess of) that recognised in net interest	(13,084)	404
Actuarial loss arising from changes in financial assumptions	15,954	7,308
Actuarial loss/(gain) arising from changes in demographic assumptions	369	(2,041)
Actuarial (gain)/loss arising from experience	(458)	226
<b>Total loss recognised in other comprehensive income</b>	<b>2,781</b>	<b>5,897</b>
<b>Total loss recognised in the Statement of Profit and Loss and Other Comprehensive Income</b>	<b>2,764</b>	<b>5,944</b>

### Defined contribution pension schemes

The Group operates defined contribution pension schemes for certain employees. Costs for the financial year amounted to £887,000 (2019: £678,000).

### 25 - Related party transactions

Management fees of £132,000 (2019: £751,000) are payable to GuoLine Group Management Co. Limited, a member of the Hong Leong Group. The amount accrued but unpaid at the year-end amounted to £nil (2019: £617,000).

Income of £590,000 (2019: £290,000) is receivable from GLH Hotels Management (UK) Limited a related party in respect for rent and services charges for office space.

In the prior year, the Group also provided a financial clerical services function to Clermont Leisure UK, a subsidiary of GL Limited, prior to its sale during the financial year. These transactions were fully recharged and amounted to £92,000 (2019: £60,500).

Annual rent of £9,500,000 (2019: £9,500,000) is due to GLH RHG Limited and GLH KG Limited, both of which are controlled by GLH Hotels Group Limited. At the balance sheet date, the Group has right-of-use assets and lease liabilities totalling £83,537,000 and £101,081,000 respectively, in relation to these rental agreements.

Interest of £3,112,000 (2019: £3,068,000) was received from GLH Hotels Holdings Limited in respect of a loan balance.

In addition, the group entered into the following transactions with GLH Hotels Management (UK) Limited of £18,258,000 (2019: £25,631,000) in respect of management fees.

On receipt of the proceeds for the Euston Hotel CPO in the year, detailed in note 8, the amount including VAT of £16,499,000 was paid to the Group's immediate parent company, GLH Hotels Holdings Limited, to eventually be paid and held by the intermediate parent undertaking, GL Limited.

In the current year, the intermediate parent undertaking, GL Limited, repaid £23,000,000 of the Group's loan on behalf of the Group.

The net movements from these transactions are accumulated in the amounts owed to or from related parties, immediate parent company and subsidiaries shown in Notes 14 and 15.

## Notes to the financial statements (continued)

### 25 - Related party transactions (continued)

	Receivable 30 June 2020 £000's	Receivable 30 June 2019 £000's
<b>Amounts owed by parent companies of the group</b>		
GLH Hotels Holdings Limited – immediate parent	104,819	109,578
GLH Hotels Group Limited – parent company	13	
	<u>104,832</u>	<u>109,578</u>
<b>Amounts owed by related parties</b>		
GLH IP Holdings Limited	1,289	279
GLH RHG Limited	-	1,231
GLH KG Limited	53	-
GLH Hotels Management (UK) Limited	1,972	-
	<u>3,314</u>	<u>1,510</u>
<b>Total amount owed by parent companies and related parties</b>	<u>108,146</u>	<u>111,088</u>
	Payable 30 June 2020 £000's	Payable 30 June 2019 £000's
<b>Amounts owed to parent companies of the group</b>		
GLH Hotels Group Limited – parent company	-	(9)
	<u>-</u>	<u>(9)</u>
<b>Amounts owed to related parties</b>		
GLH Hotels Management (UK) Limited	-	(2,860)
GLH KG Limited	-	(2,749)
GLH RHG Limited	(1,002)	-
GuoLine Group Management Co. Limited	-	(617)
	<u>(1,002)</u>	<u>(6,226)</u>
<b>Total amount owed to parent companies and related parties</b>	<u>(1,002)</u>	<u>(6,235)</u>

#### Company

Management fees of £132,000 (2019: £751,000) are payable to GuoLine Group Management Co. Limited, a member of the Hong Leong Group. The amount accrued but unpaid at the year-end amounted to £nil (2019: £617,000).

Net Interest expense of £2,387,000 (2019: £736,000) was payable from subsidiaries of the company in respect of loan balances.

Interest of £3,112,000 (2019: £3,068,000) was received from GLH Hotels Holdings Limited in respect of a loan balance.

The Company also provided a financial clerical services function to Clermont Leisure UK, a subsidiary of GL Limited, prior to its sale during the year. These transactions were fully recharged and amounted to £92,000 (2019: £60,500).

On receipt of the proceeds for the Euston Hotel CPO in the year, detailed in note 8, the amount excluding VAT of £16,499,000 was paid to the Company's immediate parent company, GLH Hotels Holdings Limited, to eventually be paid and held by the intermediate parent undertaking, GL Limited.

In the current year, the intermediate parent undertaking, GL Limited, repaid £23,000,000 of the Company's loan on behalf of the Company.

The Company operates a central treasury function to which subsidiaries transfer their cash receipts and which settles all the subsidiaries' trading liabilities. It is not practicable to quantify the gross amounts of these transactions. The net movements from these transactions are accumulated in the amounts owed to or from group companies shown in Notes 14 and 15.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

### 26 - Financial commitments

	30 June 2020 £'000	30 June 2019 £'000
<b>Capital commitments</b>		
Contracted for but not provided in the accounts	1,200	9,997

## Notes to the financial statements (continued)

### 27 - Post Balance Sheet Event

(a) On both 27 July 2020 and 8 September 2020, £10m was drawn-down and on 27 October a further £5m was drawn-down all on the unsecured facility, bringing the principal loan outstanding to £122m.

(b) On 23 September 2020 Company made capital injections in the below subsidiaries:

- The Royal Horseguards Hotel Limited issued 1 ordinary share to the Company, of £1 par value, for £1,764,000
- Hyde Park Hotel (London) Limited issued 1 ordinary share to the Company, of £1 par value, for £23,000
- Barbican Hotel (London) Limited issued 1 ordinary share to the Company, of £1 par value, for £4,692,000
- The Wiltshire Hotel (Swindon) Limited issued 1 ordinary share to the Company, of £1 par value, for £4,149,000
- The Strathmore Hotel (Luton) Limited issued 1 ordinary share to the Company, of £1 par value, for £5,397,000
- The Cumberland Hotel (London) Limited issued 1 ordinary share to the Company, of £0.10 par value, for £37,878,000

On 23 September 2020 Company received dividends from the below subsidiary's:

- £61,476,000 dividend received from Marble Arch Hotel (London) Limited
- £41,198,000 dividend received from The Tower Hotel (London) Limited
- £22,916,000 dividend received from The Charing Cross Hotel Limited
- £1,836,000 dividend received from Heathrow Hotel (London) Limited
- £729,000 dividend received from Bloomsbury Hotel (London) Limited
- £4,021,000 dividend received from Trafalgar Hotel (London) Limited
- £1,033,000 dividend received from Kensington Gardens Hotel (London) Limited
- £9,088,000 dividend received from The Grosvenor Hotel Victoria Limited

(c) Post year end, on the 30th November, 4 subsidiaries within the group were served notices of claims by subsidiaries of Topland Group Holdings Limited ("Topland") as landlord, for rent arrears, interest and legal costs amounting to a total of £1.9m claimed under various lease agreements.

Since the beginning of calendar year 2020, despite the hotels' closure for a substantial part of 2020 due to the COVID-19 pandemic, the hotels have paid full rent to Topland for 1 January to 28 October 2020. In view of the protracted economic fall-out from the COVID-19 pandemic in the United Kingdom, including further movement restrictions, GLH has attempted to negotiate rental concessions with Topland in line with United Kingdom government guidance but without success.

GLH has sought legal advice from and will, in consultation with its legal advisors, take such steps as are necessary to defend itself against Topland's claims. GLH will continue to engage its landlords in response to the challenging conditions under which it is operating. The UK Government has granted a moratorium on the issue of statutory notices and winding up proceedings until 31 March 2020 in an effort to encourage landlords and tenants to negotiate rent settlements or disputes. GLH will endeavour to work with the landlords to reach conclusive and mutually supportive arrangements to manage cash resources in these challenging times.

(d) Post year end the UK government announced a 4-week lockdown in England from the 4 November 2020 with only non-essential stays at hotels allowable. As detailed in note 18 the value in use model used to perform the impairment assessment for the tangible assets of the Group assumed no future government lockdowns. If the second lockdown had been known at the year end date this would have increased the total group impairment of fixed assets by £351,000 and right-of-use assets by £261,000 across Barbican, Cumberland, Heathrow, Luton and Swindon hotels.

(e) On the 20th November 2020 the High Court published its judgement on GMP equalisation for transfers out of pension schemes. The judgement found that top up payments are required for cash equivalent transfer values made since 17 May 1990. At the date of signing these financial statements the directors do not have a reasonable estimate of the financial effect of the ruling on the groups defined benefit pension schemes but do not expect the impact to be material to the financial statements.

### 28 - Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Whilst some outcomes have been affected by the volatility in the financial markets, all judgements and assumptions in the accounting policies remain consistent with previous years.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

#### Estimates

The Group is required to assess whether there is indication of impairment to the carrying value of property, plant and equipment, right-of-use assets and investment in subsidiaries. In making that assessment, estimates are made in calculating a recoverable amount. The Group maintains a value in use model to ascertain that the carrying value of its tangible assets can be supported by the higher of the fair value less cost to sell or value in use as required under IFRS. The following assumptions are used in that model:

- WACC Rate – 9.78% (2019: 9.81%) (pre tax rate) was considered a reasonable rate for all but one hotel in the group, which used 10.49%. The WACC was calculated based on the debt – equity ratio, cost of equity and cost of debt with an updated company specific Alpha and Beta updated to reflect long term yield rates. There is an unchanged market risk premium from the prior year. The impairment assessments have been performed for a period to the end of the lease term. For hotels with freehold property only, an exit multiple of 12.5 was deemed reasonable. A WACC of over 10.82% (2019: 10.30%) (pre-tax) would be required to reduce the headroom to nil for the hotels.
- Short term and long term growth rate – The judgement applied in setting the short and long term growth rate is based on the budget for the hotels. Significant judgement is used to set the budget and the group looks specifically at each hotel the initiative they apply combined with initiative set at a group level. Based on these factors the group will determine the expected uplift in the hotels. Long term growth rate used is 1.5%.
- Replacement CAPEX – 4% of revenue has been deemed an appropriate rate for the Group. This is consistent with hotel operating agreements for hotels operating by the wider group.

## Notes to the financial statements (continued)

### 28 - Accounting estimates and judgements (continued)

#### Estimates (continued)

- Hotel closures - cashflows used in the valuations are under the assumption that there are no further periods of closure as a result of UK government mandated lockdowns. As at year end it had been announced on the 23rd June 2020 that hotels in England could open for non-essential stays from the 4th July 2020. The expectation of the Group at year end was that future lockdowns were not likely and thus not factored into cashflows on the basis of UK government communication, with key COVID support such as the furlough scheme winding down from July and ending in October 2020 suggesting expected improved trading and not that the UK would experience another lockdown.

Consideration of impairment to the carrying values of assets has been made and the directors concluded that the individual carrying values of operating assets were not supportable by the value in use or fair value less costs to sell. This resulted in an impairment of fixed assets during the year of £1,973,000 (2019: £9,259,000) as detailed in note 10 and an impairment of right of use assets of £12,768,000. The impact of the current economic conditions on the assessment of going concern has been considered.

The below are other areas of estimation in the preparation of the financial statements:

- Incremental borrowing rate ("IBR") – a range of 4.88-5.53% was considered a reasonable rate range for the Group. The IBR was calculated based on a quoted margin from an external lender, LIBOR at transition date, and a term adjustment based on corporate bond yields for a tenor in line with the underlying lease, and risk profile similar to that of the Group. The Group performed sensitivity analysis through considering the impact of fluctuation of the IBR. An increase in the IBR of 0.5% for each entity in the Group would decrease the year end right-of-use asset by £38,413,000 and the lease liability by £42,976,000. A decrease in the IBR of 0.5% for each entity in the Group would increase the year end right-of-use asset by £44,697,000 and the lease liability by £49,276,000.
- Deferred tax assets – deferred tax assets are recognised on the basis that the Group expects to make profits in the future. The recognition of the assets is therefore an estimation, which is based on the Groups forecast future results.

#### Judgement

- Property, plant and equipment - Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment. The selection of these residual values and estimated lives requires the exercise of judgement.
- Hedging Reserve (Notes 17 & 22) - Consistent with IFRS 9, the effectiveness of the hedge is assessed on a quarterly basis allowing a comparison to be made in the movement between the derivative gain/loss and a 'hypothetic derivative' which would model the future highly probable cash flows on the borrowing. The terms of the hedging instrument are equal to the hedged item, with both items with the same counter-party, therefore for every £1 gain there will be an offsetting £1 loss. We have therefore assessed the hedge as effective.
- Leases - The Group assesses at lease commencement whether it is reasonably certain to exercise any extension options included within leases. The Group reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control. The assessment of whether future lease extension periods will be utilised requires the exercise of judgement.

### 29 - Parent and ultimate parent undertakings and controlling parties

The immediate parent undertaking is GLH Hotels Holdings Limited, a company registered in England. The registered address for the parent undertaking is 110 Central Street, London, EC1V 8AJ. Copies of the financial statements of GLH Hotels Holdings Limited, which consolidate the results of the Group, are available from Companies House, Cardiff.

GLH Hotels Holdings Limited is a wholly owned subsidiary of GL Limited, a company continued in Bermuda and listed on the Singapore Stock Exchange. The registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

GL Limited is both controlled and its financial results consolidated by Guoco Group Limited, a company registered in Hong Kong and listed on the Hong Kong Stock Exchange. Copies of the accounts of Guoco Group Limited are available from its website [www.guoco.com](http://www.guoco.com). The directors of Guoco Group Limited consider its ultimate controlling party to be Hong Leong Company (Malaysia) Berhad, a private company registered in Malaysia. The financial statements of Hong Leong Company (Malaysia) Berhad are not available to the public.