

Company Registration No. 01794152

Hard Rock Holdings Limited

Annual report for the 53 weeks ended

31 December 2017

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Hard Rock Holdings Limited

Report and financial statements 2017

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Hard Rock Holdings Limited

Annual Report and Financial Statements for the 53 weeks ended 31 December 2017

Officers and professional advisers

Director

Mr Jay Anthony Wolszczak (resigned 27th April 2018)

Mr Thomas Joseph Gispanski (appointed 1st November 2017, resigned 29th June 2018)

Mr Brian Alexander (appointed 11 May 2018)

Mr David Stuart Pellow

Company Secretary

Olswang CoSec Limited

London

Registered Office

Cannon Place

78 Cannon Street

London, United Kingdom

EC4N 6AF

Bankers

The Royal Bank of Scotland Plc.

36 St. Andrew Square

Edinburgh, United Kingdom

EH2 2YB

Solicitors

Olswang LLP

London

Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

EC4A 3BZ

Hard Rock Holdings Limited

Strategic report

The Directors present their annual audited report and financial statements for the 53 weeks ended 31 December 2017.

Principal activities

The principal activities of the company throughout the year were that of franchising the “Hard Rock” name in Europe and one market in Asia. The Directors do not envisage any change in the activity during the forthcoming year.

Business review

The results of the company show profit after tax of \$11.9 million (2016: profit after tax of \$9.6 million) for the year and revenue of \$27.1 million (2016: \$21.6 million).

The Hard Rock Group opened one new owned/operated Cafe in Antwerp, Belgium and Seminole Hard Rock UK has franchised the Hard Rock name to two new locations during the year in Valencia, Spain, and Andorra la Vella, Andorra.

Performance is continually reviewed on Key Performance Indicators (KPI's) and the following are the primary drivers of the financial success of the underlying business:

	2017	2016
Number of franchise locations	21	19
Number of corporate locations	23	22
Royalties (Franchise locations)	\$12.9m	\$9.3m
Royalties (Corporate locations)	\$11.5m	\$10.4m
Sale of new territories and fees	\$0.4m	\$0.5m

Future developments

The directors have assessed the ability to sustain the current financial performance over the next 2-3 years. Having taken into consideration the broader leisure/tourism market which drives royalty income through sales growth; even in the face of difficult macroeconomic and geopolitical factors impacting the global tourism economy, the Directors believe that the company is well placed to continue the recent financial performance.

The company continues to search for franchise partners in new territories and open new franchised locations in existing territories with current partners.

Principal risks and uncertainties

The directors have a responsibility to identify the principal risks and uncertainties which impact the business and implementing appropriate policies to manage those risks.

The directors have identified the following principal risks which impact the business:

- Weakness in global tourism trends; and
- Ensuring consistency in compliance of brand standards of franchisees; and
- Foreign exchange and value of USD against non-USD currencies.

Hard Rock Holdings Limited

Strategic report

Principal risks and uncertainties (continued)

The directors and the Hard Rock Café (HRC) group works to mitigate these risks by implementing the following measures:

- Global initiatives in marketing the brand to ensure HRC is increasing its market share to reduce impact on net sales of regional weakness due to reductions in tourism as a result of security and economic issues; and
- Operating a multi-layer management structure across the franchised area and oversight from the US to ensure operational excellence and consistency of brand standards across the franchise portfolio; and
- Contractual terms which require payment of royalties in USD, the company's functional currency.

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



Mr David Stuart Pellow
Director

Cannon Place
78 Cannon Street
London, United Kingdom
EC4N 6AF

25 September 2018

Hard Rock Holdings Limited

Directors' report

The directors present their Annual Report and the audited financial statements for the 53 weeks ended 31 December 2017. The detail in relation to future developments and principal risks and uncertainties are included with the Strategic report.

Capital structure

The capital structure of the company is made up of the following:

- Authorised Ordinary Shares of 100 valued at £1 each; and
- Issued and fully paid Ordinary Shares of 100 valued at £1 each.

Going concern

The company is in a net current assets and net assets position and is expected to continue generating positive cash flows on its own account for the foreseeable future. The company also participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Based on budgets approved for 2018 and revised forecasts for the year carried out in May 2018, and a six year strategic plan management continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Dividends

During the year the company declared and paid dividends to its immediate parent, Hard Rock International Limited, of \$13 million (2016: \$12.5 million).

Financial risk management

See note 8 for details of the company's financial risk management.

Post balance sheet events

There are no significant events affecting the company that have occurred subsequent to 31 December 2017.

Future developments

Details of the company's future developments are included within the strategic report on pages 2 and 3.

Directors' indemnity

Qualifying third party indemnity provisions as defined by the Companies Act 2006 were in force for the benefit of the directors throughout the period and up to the date of approval of the financial statements.

Directors

The Directors of the company throughout the year and up to the date of signing of these financial statements were:

Mr David Stuart Pellow

Mr Jay Anthony Wolszczak resigned on 27th April 2018. Mr Thomas Joseph Gispanski was appointed on 1 November 2017 and resigned on 29th June 2018. Mr Brian Alexander was appointed on 11th May 2018.

Hard Rock Holdings Limited

Directors' report (continued)

Auditor

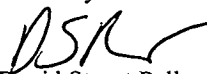
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed by the Board


Mr David Stuart Pellow
Director

Cannon Place
78 Cannon Street
London
EC4N 6AF

25 September 2018

Hard Rock Holdings Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

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

Independent auditor's report to the members of Hard Rock Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Hard Rock Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31/12/2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.



Andy Siddons ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

25 September 2018

Hard Rock Holdings Limited

Statement of comprehensive income For the 53 weeks ended 31 December 2017

		2017 \$'000	2016 \$'000
Continuing operations	Notes		
Revenue	2	27,141	21,607
Gross profit		27,141	21,607
Other operating costs	3	(12,457)	(9,230)
Operating profit		14,684	12,377
Interest income	4	7	27
Profit before taxation		14,691	12,404
Tax on profit	5	(2,758)	(2,851)
Profit for the year		<u>11,933</u>	<u>9,553</u>
Other comprehensive income		2017 \$'000	2016 \$'000
Profit for the financial year		<u>11,933</u>	<u>9,553</u>
Total comprehensive income for the year		<u>11,933</u>	<u>9,553</u>

All results are derived from continuing operations.

Notes on pages 13 to 22 form an integral part of the financial statements.

Hard Rock Holdings Limited

Balance sheet


As at 31 December 2017

	Notes	2017 \$'000	2016 \$'000
Current assets			
Trade and other receivables	6	12,404	6,311
Loan due from fellow subsidiary	7	3,000	-
Cash and cash equivalents	13	4,571	12,342
Total current assets		<u>19,975</u>	<u>18,653</u>
Total assets		<u>19,975</u>	<u>18,653</u>
Current liabilities			
Deferred income	10	-	(87)
Trade and other payables	9	(6,483)	(3,940)
Total current liabilities		<u>(6,483)</u>	<u>(4,027)</u>
Total assets less current liabilities		13,493	14,626
Net current assets		<u>10,493</u>	<u>14,626</u>
Non-current liabilities			
Deferred income	10	(103)	(170)
Total non-current liabilities		<u>(103)</u>	<u>(170)</u>
Total liabilities		<u>(6,586)</u>	<u>(4,197)</u>
Net assets		<u>13,389</u>	<u>14,456</u>
Shareholders' equity			
Ordinary share capital		-	-
Retained earnings	11	13,389	14,456
Total equity		<u>13,389</u>	<u>14,456</u>

These financial statements were approved by the Board of Directors and authorised for issue on 28 September 2018

Company registration number: 01794152

Signed on behalf of the Board of Directors


Mr David Stuart Pellow
Director

Hard Rock Holdings Limited

Statement of changes in equity For the 53 weeks ended 31 December 2017

	Note	Share capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 27 December 2015		-	17,403	17,403
Dividends declared and paid	12	-	(12,500)	(12,500)
Total comprehensive income for the year		-	9,553	9,553
Balance at 25 December 2016		-	14,456	14,456
Dividends declared and paid	12	-	(13,000)	(13,000)
Total comprehensive income for the year		-	11,933	11,933
Balance at 31 December 2017		-	13,389	13,389

The company declared and paid a dividend during the year to its parent Hard Rock International Limited for \$13,000,000 on 21 December 2017 (\$130,000 per share).

Hard Rock Holdings Limited

Cash flow statement

For the 53 weeks ended 31 December 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash generated from operations	14	5,229	9,014
Net cash generated from operating activities		<u>5,229</u>	<u>9,014</u>
Cash flows used in financing activities			
Dividends paid	12	(13,000)	(12,500)
Net cash used in financing activities		<u>(13,000)</u>	<u>(12,500)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(7,771)</u>	<u>(3,486)</u>
Cash and cash equivalents at 25 December 2016		12,342	15,828
Cash and cash equivalents at 31 December 2017	13	<u>4,571</u>	<u>12,342</u>

Hard Rock Holdings Limited

Notes to the financial statements For the 53 weeks ended 31 December 2017

1. Accounting policies

The basis of preparation and principal accounting policies adopted in the preparation of these financial statements are set out below.

General information

Hard Rock Holdings Limited (the company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and with IFRSs adopted by the European Union.

After reviewing the company's budget for the next financial year, taking into account reasonably possible changes in trading performance in light of uncertainty related to currently unfavourable economic conditions, the above written support, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

The financial statements have been prepared under the historical cost convention. These policies have been consistently applied in the current and preceding year. The fair value of the financial assets and liabilities of the company equates to their book value.

The preparation of financial information, in conformity with Generally Accepted Accounting Principles ("GAAP"), requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting year. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out in the relevant accounting policies discussed below, including specifically the impairment of tangible assets. The best estimate of the directors may differ from the actual result.

Revenue recognition

Revenue consists of the fair value of sales of goods and services, net of value added tax, rebates and discounts.

Site fees and royalties

The company owns the trademark for "Hard Rock" in Europe (excluding the UK), and licenses this trademark to franchises and company operated Cafes.

A franchise site fee is recognised as revenue upon the conditions that a formal contract has been exchanged with a franchisee, and only after the commencement of an active operation within the territory.

Royalties from licensing are recognised by the company as revenue when they are earned. Royalties are earned from contractually agreed fees, based on a percentage of net sales, being assessed. Any assessment of royalties is made on an accrual basis.

Marketing fees to support the global marketing fund are recognised by the company as revenue when they are earned. Fees are earned from contractually agreed fees, based on a percentage of net sales. Any assessment of marketing fees is made on an accrual basis.

Hard Rock Holdings Limited

Notes to the financial statements For the 53 weeks ended 31 December 2017

1. Accounting policies (continued)

Critical accounting estimates and areas of judgement

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, income, and expenses. The estimates and underlying assumptions are based on the directors' experience and other factors which are relevant.

The assumptions and estimates used are reviewed on an on-going basis and changes in accounting estimates do become necessary as the circumstances unfold and new information becomes available. Such changes are incorporated into the financial records as estimates are revised.

The directors do not consider there to be any critical judgements or key sources of estimation or uncertainty used in the preparation of these financial statements.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. All financial assets, other than cash and cash equivalents, are classified as loans and receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Capital risk management

The company manages its capital to ensure that the company will be able to continue as a going concern. The company's overall strategy remains unchanged from 2015.

The capital structure of the company consists of ordinary share capital and retained earnings as disclosed in the Statement of change in equity on page 12.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Hard Rock Holdings Limited

Notes to the financial statements For the 53 weeks ended 31 December 2017

1. Accounting policies (continued)

Foreign currency translation

Functional currency and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in USD (United States dollar) which is the company's functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Taxation

Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

New standards and interpretations not applied

In the current year, a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1

Disclosure Initiative

Amendments to IAS 16 and IAS 38

Clarification of Acceptable Methods of Depreciation and Amortisation

Annual improvements to IFRS's:

2012-2014 Cycle

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9

Financial Instruments

IFRS 15

Revenue with contracts from customers

IFRS 16

Leases

IAS 7 (amendments)

Disclosure Initiative

IAS 12 (amendments)

Recognition of Deferred Tax Assets for Unrealised Losses

Hard Rock Holdings Limited

Notes to the financial statements For the 53 weeks ended 31 December 2017

1. Accounting policies (continued)

New standards and interpretations not applied (continued)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

- IFRS 16 will have material impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures will be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The following new and amended standards, the impact on the Group is being assessed, were not yet endorsed by the EU and/ or have no effective date:

IFRS 9 (Issued) - effective for periods beginning on or after 1 January 2018

IFRS 15 (Issued) – effective for periods beginning on or after 1 January 2018

IFRS 16 (Issued) – effective for periods on or after 1 January 2019

2. Revenue

Revenues are the result of royalties and fees assessed to both related parties and third party franchise partners, whereby a royalty is assessed for the use of a trademark on a percentage of sales basis or as a one-off fee for the sale of exclusive rights to a territory. All revenue for the company is derived in the UK and reported as below:

	2017 \$'000	2016 \$'000
Franchise site fees and Technical assistance fees	426	448
Marketing participation fees	2,306	1,498
Royalties assessed on franchise locations	12,899	9,283
Royalties assessed on related parties	11,510	10,378
	<u>27,141</u>	<u>21,607</u>

3. Other operating costs

The following items have been charged / (credited) in arriving at profit for the year:

	2017 \$'000	2016 \$'000
Legal and professional	502	149
Other income	-	-
Provision for bad debt and other costs	111	80
Tax Compliance	32	107
Fees payable to the company's auditor for the audit of the company's financial statements	12	12
Foreign exchange losses/(gains)	195	(520)
Advertising and Marketing	113	128
Management fees	11,492	9,274
	<u>12,457</u>	<u>9,230</u>

Hard Rock Holdings Limited

Notes to the financial statements For the 53 weeks ended 31 December 2017

Auditor's remuneration for audit services for the audit of the financial statements of \$12,000 (2016: \$12,000) has been paid on behalf of the Company by related companies. Auditor's remuneration for non-audit services of \$32,000 (2016: \$107,000) has been paid for services related to tax preparation and advice.

4. Interest income

	2017 \$'000	2016 \$'000
Interest income:		
Interest receivable from group companies	(7)	(27)
Net interest income	(7)	(27)

Interest income is recognised on intercompany loans at the rate of 12 -month Libor plus 1% (2016: 12-month Libor plus 1.0%).

5. Taxation

	2017 \$'000	2016 \$'000
Current tax:		
UK corporation tax on profits for the year	2,316	2,057
Foreign current tax	546	483
Adjustment in respect of prior years	(104)	311
Total current income tax	2,758	2,851
Total taxation on ordinary activities	2,758	2,851

The tax on the company's profit before tax differs from the standard rate of UK Corporation tax 19.25%. (2016: 20%). The differences are explained below:

	2017 \$'000	2016 \$'000
Profit on ordinary activities before tax	14,691	12,404
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	2,828	2,481
Provisions for income tax audit	-	(298)
Expenses not deductible for tax purposes	-	54
Withholding tax exceeding appropriate treaty provisions	34	2
Foreign exchange – group relief	-	301
Adjustment in respect of prior years	(104)	311
Total taxation	2,758	2,851

Corporation tax for the 53 weeks ended 31 December 2017 is calculated at 19.25% (2016: 20%) of the estimated taxable profit for the period. On 1 April 2014, the UK corporate tax rate was reduced from 23% to 21%. From 1 April 2015, the UK corporate tax rate fell to 20%.

There will be a reduction in the UK corporation tax rate to 17% from April 2020.

Hard Rock Holdings Limited

Notes to the financial statements For the 53 weeks ended 31 December 2017

6. Trade and other receivables

	2017 \$'000	2016 \$'000
Amounts falling due within one year		
Trade receivables	2,698	1,725
Allowance for doubtful debts	111	80
Trade receivables – net	2,587	1,645
Prepayments	-	20
Trading amounts owed by fellow group undertakings	9,817	4,646
	<u>12,404</u>	<u>6,311</u>

Trading accounts are considered due currently and are not assessed interest on amounts outstanding.

7. Loan due from fellow subsidiary

	2017 \$'000	2016 \$'000
Loan due from Seminole Hard Rock International LLC	3,000	-
	<u>3,000</u>	<u>-</u>

There is no Interest income on this loan. The maturity date is anticipated as 30th September 2018.

8. Financial risk management

The principal risks identified by the company are liquidity risk and foreign exchange risk. The directors are responsible for managing these risks and the policies adopted are set out as follows:

Liquidity risk – the HRC group manages its cash flow needs through the use of intercompany trading accounts and loans, whereby surplus funds in related party subsidiaries are utilised for both working capital and capital investments.

Foreign exchange risk – the company is impacted by transactions in foreign currencies, specifically dividends received from subsidiaries whose functional currency is not sterling. When the company is exposed to transaction gain or loss it makes use of third party currency advisors to assist in managing the transaction.

The company also has a GBP denominated payable to a related parent and related subsidiary, Hard Rock International Limited and Hard Rock Cafe UK Limited, of £1.6 million (\$2.2 million valued at the year-end spot rate of 1GBP=\$1.35). For each basis point move in the exchange rate, the value of the obligation will move by approximately \$59,000.

No financial instruments are held at fair value. All financial liabilities are held at amortised cost. All financial assets are loans and receivable.

Hard Rock Holdings Limited

Notes to the financial statements For the 53 weeks ended 31 December 2017

9. Trade and other payables

	2017 \$'000	2016 \$'000
Amounts falling due within one year		
Accruals	(199)	(111)
Tax payable	-	(649)
Trading amounts owed to fellow group undertakings	(6,284)	(3,180)
	<u>(6,483)</u>	<u>(3,940)</u>

Trading accounts are considered due currently with no interest assessed on amounts outstanding. Amounts owed by fellow group undertakings due within the year are deemed to be payable on demand.

10. Deferred income

	2017 \$'000	2016 \$'000
Deferred income: less than one year	-	(87)
Deferred income: between two and five years	(103)	(170)
	<u>(103)</u>	<u>(257)</u>

The company defers site fees on territories where franchisees have yet to open within the reporting year. Noncurrent items are related to hotel projects opening in 2018-2020.

11. Ordinary share capital

	2017 \$	2016 \$
Authorised		
100 ordinary shares of £1 each	204	204
Issued and fully paid		
100 ordinary shares of £1 each	204	204

12. Dividends

	2017 \$'000	2016 \$'000
Amounts declared and paid to immediate parent Hard Rock International Limited	13,000	12,500

On 21 December 2017, the company declared and paid a dividend in cash to its immediate parent at \$130,000 per share (2016: \$125,000 per share).

Hard Rock Holdings Limited

Notes to the financial statements For the 53 weeks ended 31 December 2017

13. Cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash and cash equivalents		
Cash at bank and in hand	4,571	12,342
Total cash at bank and in hand	<u>4,571</u>	<u>12,342</u>

14. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

Cash generated from operations

	2017 \$'000	2016 \$'000
Profit for the year	11,933	9,553
(Increase)/decrease in prepayments and receivables	(922)	(140)
(Decrease)/increase in accruals and payables	(561)	20
(Decrease)/increase in deferred income	(154)	76
Other working capital transfers to related companies	(5,067)	(495)
Cash generated from continuing operations	<u>5,229</u>	<u>9,014</u>

15. Employees and directors

The average weekly number of persons employed by the company, excluding directors, during the current or preceding period was none (2016: nil).

There were no payroll costs charged through the company in the period (2016: nil)

The Directors have not received any remuneration for the current year or prior year in relation to their services to the company.

16. Related party transactions and ultimate controlling party

The immediate parent company is Hard Rock International Limited which is part of a UK group of companies whose parent is Seminole Hard Rock UK Limited. The smallest and largest group to consolidate these financial statements is Seminole Hard Rock International LLC (SHRI), incorporated in the United States of America.

SHRI is a wholly-owned subsidiary of Seminole HR Holdings, LLC, which is ultimately wholly-owned and controlled by the Seminole Tribe of Florida, the ultimate controlling party.

The following related party transactions between Hard Rock companies have been included in arriving at profit for the year:

Hard Rock Holdings Limited

Notes to the financial statements For the 53 weeks ended 31 December 2017

	2017 \$'000	2016 \$'000
Net financing income from related parties	7	17
Tax paid by other group company	2,758	2,851
Royalties received from company Cafes	11,510	10,378
Management fees paid to ultimate parent	11,492	9,273
	<u>25,777</u>	<u>23,380</u>

The outstanding balance due as at 31 December 2017 from fellow group undertakings relating to the above transactions was a trade receivable of \$9.8 million as described in note 6 and an amount due to fellow group undertakings of \$6.3 million as described in note 9.

There are no related party transactions between the company and any of the company directors.