

**Company Registration No. 01794152**

**Hard Rock Holdings Limited**

**Annual Report and Financial Statements**

**for the year ended 31 December 2021**

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# **Hard Rock Holdings Limited**

## **Annual report and financial statements for the year ended 31 December 2021**

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# **Hard Rock Holdings Limited**

## **Annual report and financial statements for the year ended 31 December 2021**

### **Officers and professional advisers**

#### **Directors**

Mr. David Stuart Pellow  
Mr. Brian Alexander (resigned 12<sup>th</sup> March 2021)  
Mr. Ilkim Hincer (appointed 12<sup>th</sup> March 2021)

#### **Company Secretary**

CMS Cameron McKenna Nabarro Olswang LLP  
Cannon Place  
78 Cannon Street  
London  
United Kingdom  
EC4N 6AF

#### **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**

CMS LLP  
1 Victoria Quays  
Sheffield  
United Kingdom  
S2 5SY

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
3 Rivergate Temple Quay  
Bristol, United Kingdom  
BS1 6GD

# Hard Rock Holdings Limited

## Strategic report (continued)

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

The Directors present their annual audited report and financial statements for the comparative year ended 31 December 2021.

### Principal activities

Hard Rock Holdings Limited is a company incorporated in the United Kingdom.

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 \$0.7 million (2020: loss after tax of \$2.2 million) for the year and revenue of \$9.3 million (2020: \$7.1 million).

Due to the pandemic, which is laid out in the Covid-19 section, all of our locations were forced to close at the beginning of 2021 and began to return to pre-pandemic levels during the year. The Hard Rock Group opened four new cafes in Andorra, Hamburg, Malaga and Verona along with two new hotels and casinos in Dublin and Madrid while closing five cafes in Macau, Oslo, Santiago, Tenerife and Valencia. As a result, along with the easing of restrictions, year over year the Company saw an increase in revenues of 30% while operating expenses decreased 12%. Our focus is to continue to grow revenues to pre-pandemic levels within the next 2 years.

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:

	2021	2020
Number of franchise locations	34	33
Number of corporate locations	24	24
Royalties (Franchise locations)	\$4.7m	\$3.0m
Royalties (Corporate locations)	\$3.2m	\$3.2m

### Future developments

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 implement appropriate policies to manage those risks.

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

- Weakness in global tourism trends;
- Ensuring consistency in management of the brand across the European Union;
- Foreign exchange and value of GBP against EU currencies;
- Inflation;
- HRC's brand as an attractive workplace – employee retention; and
- Covid-19 pandemic impact on company's operations

# Hard Rock Holdings Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

The directors and the Hard Rock Café ("HRC") group work 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;
- 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;
- Contractual terms which require payment of royalties in USD, the company's functional currency is GBP;
- Regular updates on the ongoing impacts of the exit of Britain from the EU, and assessment of options available to HRC to reduce the financial impacts; and
- Fully complying with the mandates and directives from the UK government regarding safety and protection of the general public from Covid-19 pandemic.

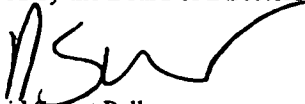
The directors also mitigate various operational and financial risks by engaging the services of independent service providers to ensure compliance in areas covering human resources, health and safety, and financial controls.

### Coronavirus (Covid-19)

The global outbreak of a new strain of coronavirus, Covid-19, continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has continued to evolve and many countries have retained their quarantines and restrictions on travel. In addition, there have been disruptions in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment, and has triggered a period of global economic slowdown.

The Company has never previously experienced a prolonged cessation of its operations for a significant amount of time, and as a consequence, the ability to be predictive regarding the impact of such a cessation on the Company's brands and future prospects is uncertain. As a consequence, management cannot estimate the impact on the Company's business, financial condition or near- or longer-term financial or operational results with certainty. The Company has received confirmation of continued financial support from its parent to enable it to continue to operate for at least the next 12 months from the approval of the financial statements. The effects of further decreases in estimated future operating cash flows could result in the need to recognise additional impairment charges in future periods.

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

16 December 2022

# **Hard Rock Holdings Limited**

## **Directors' report**

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2021. The detail in relation to future developments and principal risks and uncertainties are included with the Strategic report given on page 2 and 3.

### **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**

Management continues to adopt the going concern basis of accounting in preparing the annual financial statements due to the following reasons:

- As of the date of the issuance of the respective financial statements the wider Hard Rock group, which the company is a part of, is recovering from Covid-19 which led to a period of closures of multiple café locations in the UK and rest of the world during 2021.
- In making the going concern assessment, management has considered budgets approved for the whole Hard Rock group for 2022 and 2023, revised forecasts for the respective years, a six year strategic plan, and the return to normalised business by the end of 2023.
- The intermediate parent company, registered in the US, Seminole HR Holdings, LLC, has provided a letter of support stating its commitment to provide such financial support as may be necessary for at least twelve months from the date of the approval of these financial statements, in order to ensure that the Company is able to meet its liabilities as they fall due. The total cash reserves, as of the day of the issuance of the respective financial statements, amounted to \$164.1m, which demonstrates the parent has the ability to provide financial support.
- The total net assets of the company amount to \$11.2m while the net current liabilities amounted to \$38.1m. The entity, when needed, is being funded by means of capital contributions from the parent entity for purposes of expanding operations in Europe and United Kingdom. Management has assessed the ability and commitment of the parent entity to provide support to the company and concluded that the parent entity has the ability to provide such support as needed.
- The directors have assessed the financial position of the parent and subsidiaries, and based on cash forecast analysis, management has no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group to continue as a going concern. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

### **Dividends**

The Company did not declare dividends during the period (2020: \$13.0m). As of December 31, 2021 the company has not paid out the dividend.

### **Financial risk management**

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

### **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.

# Hard Rock Holdings Limited

## Directors' report (continued)

### 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. Brian Alexander (resigned 12<sup>th</sup> March 2021)

Mr. Ilkim Hincer (appointed 12<sup>th</sup> March 2021)

### Auditor

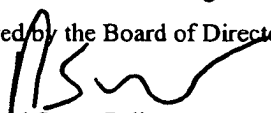
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 section 418 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, United Kingdom  
EC4N 6AF

16 December 2022

# **Hard Rock Holdings Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws 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 United Kingdom. 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 the 31 December 2021 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 United Kingdom; 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 profit or loss and other comprehensive income;
- the statement of Financial position;
- 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the United Kingdom.

#### **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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

#### **Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be

materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that Hard Rock Holdings Limited operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **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.



Mark Boxall FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, UK

22 December 2022

# Hard Rock Holdings Limited

## Statement of profit or loss and other comprehensive income For the year ended 31 December 2021

	Notes	2021 \$'000	2020 \$'000
<b>Continuing operations</b>			
Revenue	2	<u>9,288</u>	<u>7,126</u>
Gross profit		9,288	7,126
Other operating expenses	3	<u>(8,564)</u>	<u>(9,712)</u>
Operating profit/(loss)		724	(2,586)
Interest income	4	<u>-</u>	<u>1</u>
Profit/(loss) before taxation		724	(2,585)
Tax on profit/(loss)	5	<u>(45)</u>	<u>410</u>
Profit/(loss) for the financial year		<u><u>679</u></u>	<u><u>(2,175)</u></u>
<b>Other comprehensive income/(expense)</b>		<b>2021 \$'000</b>	<b>2020 \$'000</b>
Profit/(loss) for the financial year		<u>679</u>	<u>(2,175)</u>
<b>Total comprehensive income/(expense) for the year</b>		<u><u>679</u></u>	<u><u>(2,175)</u></u>

All results are derived from continuing operations.

Notes on pages 14 to 26 are an integral part of these financial statements.

# Hard Rock Holdings Limited

## Statement of financial position As at 31 December 2021

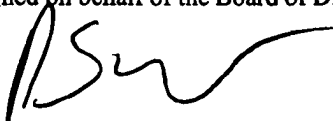
	Notes	2021 \$'000	2020 \$'000
<b>Non-Current assets</b>			
Trade and other receivables, net	6	44,079	-
Other Assets	7	7,089	5,779
Deferred tax assets	5	682	519
<b>Current assets</b>			
Trade and other receivables, net	6	1,721	43,914
Cash and cash equivalents	13	6,103	3,288
<b>Total current assets</b>		<u>7,824</u>	<u>47,202</u>
<b>Total assets</b>		<u>59,674</u>	<u>53,500</u>
<b>Current liabilities</b>			
Trade and other payables	9	(45,527)	(40,275)
Deferred revenue	10	(347)	(364)
<b>Total current liabilities</b>		<u>(45,874)</u>	<u>(40,639)</u>
<b>Net current (liabilities)/assets</b>		(38,050)	6,563
<b>Total assets less current liabilities</b>		<u>13,800</u>	<u>12,861</u>
<b>Non-current liabilities</b>			
Deferred revenue	10	(2,572)	(2,312)
<b>Total non-current liabilities</b>		<u>(2,572)</u>	<u>(2,312)</u>
<b>Total liabilities</b>		<u>(48,446)</u>	<u>(42,951)</u>
<b>Net assets</b>		<u>11,228</u>	<u>10,549</u>
<b>Shareholders' equity</b>			
Ordinary share capital		-	-
Retained earnings	11	11,228	10,549
<b>Total equity</b>		<u>11,228</u>	<u>10,549</u>

Notes on pages 14 to 26 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 16 December 2022

Company registration number: 01794152

Signed on behalf of the Board of Directors

  
Mr. David Stuart Fellow

# Hard Rock Holdings Limited

## Statement of changes in equity For the year ended 31 December 2021

	Note	Share capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2020		-	25,724	25,724
Dividends declared	12	-	(13,000)	(13,000)
Total comprehensive expense for the year		-	(2,175)	(2,175)
Balance at 31 December 2020		-	10,549	10,549
Total comprehensive income for the year		-	679	679
Balance at 31 December 2021		-	11,228	11,228

The Company did not declare dividends during the period (2020: \$13.0m). The remaining dividend payable as of December 31, 2021 is \$13.0m (2020: \$13.0m).

The notes on pages 14 to 26 are an integral part of these financial statements.

# Hard Rock Holdings Limited

## Statement of cash flows For the year ended 31 December 2021

	Notes	2021 \$'000	2020 \$'000
<b>Cash flows generated from/(used in) operating activities</b>			
Cash generated from/(used in) operations	14	<u>4,569</u>	<u>(213)</u>
<b>Net cash generated from/(used in) operating activities</b>		<u>4,569</u>	<u>(213)</u>
<b>Cash flows used in investing activities</b>			
Key Money	12	<u>(1,754)</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<u>(1,754)</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>2,815</u>	<u>(213)</u>
Cash and cash equivalents at 31 December 2020		<u>3,288</u>	<u>3,501</u>
<b>Cash and cash equivalents at 31 December 2021</b>	13	<u>6,103</u>	<u>3,288</u>

The notes on pages 14 to 26 are an integral part of these financial statements.

# **Hard Rock Holdings Limited**

## **Notes to the financial statements For the year ended 31 December 2021**

### **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 private company limited by shares and incorporated in the United Kingdom under the Companies Act. And is registered in England and Wales. 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.

These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the Company operates.

#### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

The financial statements have been prepared under the historical cost convention. These policies have been consistently applied in both the current and preceding year.

#### **Going concern**

Management continues to adopt the going concern basis of accounting in preparing the annual financial statements due to the following reasons:

- As of the date of the issuance of the respective financial statements the wider Hard Rock group, which the company is a part of, is recovering from Covid-19 which led to a period of closures of multiple café locations in the UK and rest of the world during 2021.
- In making the going concern assessment, management has considered budgets approved for the whole Hard Rock group for 2022 and 2023, revised forecasts for the respective years, a six year strategic plan, and the return to normalised business by the end of 2023.
- The intermediate parent company, registered in the US, Seminole HR Holdings, LLC, has provided a letter of support stating its commitment to provide such financial support as may be necessary for at least twelve months from the date of the approval of these financial statements, in order to ensure that the Company is able to meet its liabilities as they fall due. The total cash reserves, as of the day of the issuance of the respective financial statements, amounted to \$164.1m, which demonstrates the parent has the ability to provide financial support.
- The total net assets of the company amount to \$11.2m while the net current liabilities amounted to \$038.1m. The entity, when needed, is being funded by means of capital contributions from the parent entity for purposes of expanding operations in Europe and United Kingdom. Management has assessed the ability and commitment of the parent entity to provide support to the company and concluded that the parent entity has the ability to provide such support as needed.
- The directors have assessed the financial position of the parent and subsidiaries, and based on cash forecast analysis, management has no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group to continue as a going concern. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.



# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 1. Accounting policies (continued)

#### Critical accounting judgements and key sources of estimation uncertainty

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 consider there to be critical judgements used in the preparation of these financial statements as follows.

- Note 1 – going concern: whether there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The directors consider there to be key assumptions and key sources of estimation or uncertainty used in the preparation of these financial statements as follows.

- Note 1 – going concern: assessed based on future cashflows, revenues and EBITDAs as part of their calculation. There is significant estimation uncertainty relating to forecasted cashflows.
- Note 6 – allowance for doubtful accounts: key assumptions in determining the recoverability of the receivables. In estimating the recoverability of the receivables, the directors have made assumptions that anything outstanding after 90 days needs to be reserved in the allowance for doubtful accounts. Due to the associated uncertainty, it is possible amounts recoverable may need to be revised during the next year. When measuring provision for expected credit losses, historical provision rates will need to be adjusted to reflect relevant, reasonable and supportable information about future expectations under the simplified approach permitted by IFRS 9.

#### Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the UK). These are not expected to have a significant impact on the financial statements

		Effective for periods beginning on or after
IAS 1 (amendments)	Amendments to the classification of liabilities as current or non-current and to the disclosure of accounting policies	1 January 2023
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	Amendments to: <ul style="list-style-type: none"><li>• Business Combinations</li><li>• Property Plant &amp; Equipment</li><li>• Provisions, Contingent Liabilities &amp; Contingent Assets</li><li>• First-time Adoption of IFRS</li><li>• Financial Instruments</li><li>• Leases</li><li>• Agriculture</li></ul>	1 January 2022
IAS 8 (amendments)	Amendments to the definition of accounting estimates	1 January 2023

# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 1. Accounting policies (continued)

#### Adoption of new and revised standards

##### Revenue recognition

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

The Company executes franchise or license agreements, which set out the terms of the arrangements with the franchisee or licensee. The Company recognises royalty fee revenues as and when the underlying sales occur. The Company also receives non-refundable initial fees, which are recognised as revenues over the initial non-cancellable period of the franchise agreement, commencing when all material services or conditions have been substantially performed.

##### *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 over the life of the contract and only after the commencement of an active operation within the territory. Site fees are payable when the agreement is executed.

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. Payment is typically due in the month following month end.

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. Payment is typically due either in the month following month end or in the month following quarter end.

#### Financial instruments

##### 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 are recognised initially at fair value and subsequently measured at cost less provisions for expected credit losses. To determine expected credit losses, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor.

# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 1. Accounting policies (continued)

#### **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 prior year.

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

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.

#### **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 statement of comprehensive income.

#### **Taxation**

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

The Company is part of a United Kingdom ("UK") tax group for certain aspects of the tax legislation. One of these aspects relates to group relief whereby current tax liabilities can be offset by current tax losses arising in other companies within the same UK tax group. Payment for group relief is made equal to the tax benefit and amounts are included within the current tax disclosures.

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.

#### **Key Money**

Key money assets consist of cash advances to a licensee to partially fund the conversion and rebranding of existing properties. Key money assets are amortised as a reduction of revenue over the term of the corresponding license and management agreements. No impairment of key money was required for 2021.

# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 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 reported as below:

	2021 \$'000	2020 \$'000
Franchise site fees and Technical assistance fees	189	444
Marketing participation fees	1,138	1,137
Royalties assessed on franchise locations	4,712	2,985
Royalties assessed on related parties	3,249	2,560
	<u>9,288</u>	<u>7,126</u>

### 3. Other operating expenses

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

	2021 \$'000	2020 \$'000
Legal and professional and marketing	1,768	1,040
Other expense	223	6
Provision for bad debt and other costs	242	779
Tax compliance	7	7
External audit fees	23	22
Foreign exchange gains	22	1,839
Management fees	6,279	6,019
	<u>8,564</u>	<u>9,712</u>

Auditor's remuneration for audit services for the audit of the financial statements of \$22,643 (2020: \$21,748) has been paid on behalf of the Company by related companies. Auditor's remuneration for non-audit services of \$71,203 (2020: \$61,550) has been paid for services related to tax preparation and advice.

### 4. Interest income

	2021 \$'000	2020 \$'000
Interest income:		
Interest receivable from group companies	-	(1)
Net interest income	<u>-</u>	<u>(1)</u>

Interest income is recognised on intercompany loans at the rate of 3% (2020: 3%).

# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 5. Taxation

	2021 \$'000	2020 \$'000
<b>Current tax:</b>		
Foreign current tax	208	144
Adjustment in respect of prior years	-	(366)
Total current income tax	208	(222)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	(519)
Adjustment in respect of prior years	-	331
Deferred impact of statutory tax rate change	(163)	-
Total deferred income tax	(163)	(188)
<b>Total taxation on ordinary activities</b>	<b>45</b>	<b>(410)</b>

Corporation tax for the years ended 31 December 2021 and 2020 are calculated at 19% of the estimated taxable profit for the period.

In the finance bill published on March 11, 2020, the corporate tax rate was stated to be maintained at 19% and therefore 19% has been used to measure deferred tax assets and liabilities for the year ended December 31, 2020.

Further, the finance bill published on March 11, 2021, included an increase to the corporate tax rate to 25% for companies with profits over GBP 250,000 beginning April 1, 2023, as well as changes to the period for which trading losses can be carried back against previous profits. The carry back has been extended from one to three years for accounting periods ending between April 1, 2020 and March 31, 2022.

The deferred tax assets and liabilities at December 31, 2021 have been adjusted based on the finance bill published on March 11, 2021, the rate at which the assets are expected to be utilized.

# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 5. Taxation (Continued)

	2021 \$'000	2020 \$'000
Profit on ordinary activities before tax	724	(2,585)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	138	(492)
Withholding tax exceeding appropriate treaty provisions	71	144
Foreign income taxes	-	(27)
Rate change	(164)	(35)
<b>Total taxation</b>	<b>45</b>	<b>(410)</b>

#### Deferred Tax

Deferred tax is included in the balance sheet as follows:

	2021 \$'000	2020 \$'000
At the start of the period	519	331
Credit to the statement of comprehensive income	163	188
<b>At the end of the period</b>	<b>682</b>	<b>519</b>
The deferred tax asset can be analysed as follows:		
Net operating losses	682	519
<b>Deferred tax asset</b>	<b>682</b>	<b>519</b>

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, the Company believes that of its \$2.8 million of gross net operating losses at December 31, 2021, based on the available evidence of historical earnings, it is expected that projected future taxable income will be generated to fully utilise the benefits of these net deductible amounts. Further, the finance bill published on March 11, 2021, includes changes to the period for which trading losses can be carried back against previous profits. The carryback has been extended from one to three years for accounting periods ending between April 1, 2020 and March 31, 2022. The Company has sufficient historical taxable profits to utilise the benefits of the net deductible amounts.

# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 6. Trade and other receivables

	2021 \$'000	2020 \$'000		
<b>Amounts falling due within one year</b>				
Trade receivables	2,754	2,314		
Allowance for doubtful debts	<u>(1,035)</u>	<u>(279)</u>		
Trade receivables – net	1,719	2,035		
Prepayments	2	2		
Amounts owed by fellow group undertakings	<u>-</u>	<u>41,877</u>		
	<u>1,721</u>	<u>43,914</u>		
<b>Amounts falling due after one year</b>				
Trading amounts owed by fellow group undertakings	<u>44,079</u>	<u>-</u>		
	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Over 3 months \$'000</b>	<b>Total \$'000</b>
<b>2021</b>				
Trade receivables	<u>797</u>	<u>979</u>	<u>978</u>	<u>2,754</u>
	<u>797</u>	<u>979</u>	<u>978</u>	<u>2,754</u>
	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Over 3 months \$'000</b>	<b>Total \$'000</b>
<b>2020</b>				
Trade receivables	<u>760</u>	<u>946</u>	<u>608</u>	<u>2,314</u>
	<u>760</u>	<u>946</u>	<u>608</u>	<u>2,314</u>

Amounts owed by fellow group undertakings due within the year are deemed to be payable on demand with zero interest, however, due to the pandemic these items have been classified as non-current as there is no expectation of payment within the next year.

### 7. Other Assets

	2021 \$'000	2020 \$'000
Key Money, net	<u>7,089</u>	<u>5,779</u>

During 2018, the Company had entered into a hotel management agreement with ASG PROYECTOS HOTELEROS ATOCHA, S.L. for the purposes of constructing and opening a hotel under the Hard Rock brand in Madrid, Spain. The project was completed in 2021 and HRH Madrid opened on 1 July 2021. As per contractual terms €1,500,000.00 key money was paid to ASG PROYECTOS HOTELEROS ATOCHA, S.L.

# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 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.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
<b>31 December 2021</b>							
Amounts owed to group undertakings	-	45,200	-	-	-	-	45,200
Accruals	-	327	-	-	-	-	327
		<u>45,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,527</u>
<b>31 December 2020</b>							
Amounts owed to group undertakings	-	40,129	-	-	-	-	40,129
Accruals	-	146	-	-	-	-	146
		<u>40,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,275</u>



# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 8. Financial risk management (continued)

The following table details the Company's expected maturity for its non-derivative financial assets.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
<b>31 December 2021</b>							
Trade receivables	-	2,755	-	-	-	-	2,755
Amounts owed by fellow group undertakings	-	-	-	-	44,079	-	44,079
		<u>2,755</u>	<u>-</u>	<u>-</u>	<u>44,079</u>	<u>-</u>	<u>46,834</u>
	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
<b>31 December 2020</b>							
Trade receivables	-	2,314	-	-	-	-	2,314
Amounts owed by fellow group undertakings	-	41,877	-	-	-	-	41,877
		<u>44,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,191</u>

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

Credit risk – The Company's credit risk is primarily attributable to its trade debtors. The company has implemented policies that require appropriate credit checks on potential new customers before sales commence and credit limits are reassessed regularly. The amounts presented in the balance sheet are net of allowances for doubtful accounts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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 £26.4 million (\$34 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 \$143,252. 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 year ended 31 December 2021

### 9. Trade and other payables

	2021 \$'000	2020 \$'000
Amounts falling due within one year		
Accruals	(327)	(146)
Trading amounts owed to fellow group undertakings	<u>(45,200)</u>	<u>(40,129)</u>
	<u>(45,527)</u>	<u>(40,275)</u>

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

### 10. Deferred revenue

	2021 \$'000	2020 \$'000
Deferred revenue: current portion	(347)	(364)
Deferred revenue: between two and five years	<u>(2,572)</u>	<u>(2,312)</u>
	<u>(2,919)</u>	<u>(2,676)</u>

The company defers site fees on territories where franchisees have yet to open within the reporting year. Non-current items are related to hotel projects opening in 2023.

### 11. Ordinary share capital

	2021 \$	2020 \$
<b>Authorised</b>		
100 ordinary shares of £1 each	<u>204</u>	<u>204</u>
<b>Issued and fully paid</b>		
100 ordinary shares of £1 each	<u>204</u>	<u>204</u>

Each ordinary share carries one vote.

### 12. Dividends

	2021 \$'000	2020 \$'000
Amounts declared to immediate parent		
Hard Rock International Limited	<u>-</u>	<u>13,000</u>

The Company did not declare dividends during 2021 (2020: \$13.0 million). As of 31 December 2021, the 2020 dividend is still outstanding. The remaining dividend payable is \$13.0 million (2020: \$13.0 million).

# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 13. Cash and cash equivalents

	2021 \$'000	2020 \$'000
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	6,103	3,288
<b>Total cash at bank and in hand</b>	<u>6,103</u>	<u>3,288</u>

### 14. Cash flow from operating activities

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

#### Cash generated from/(used in) operations

	2021 \$'000	2020 \$'000
Profit/(Loss) for the year	679	(2,175)
Amortisation of Key Money	444	221
Decrease in prepayments, trade and other receivables	316	915
(Decrease)/increase in accruals and payables	(181)	96
Increase/(decrease) in deferred income	243	(526)
Increase in deferred tax asset	(163)	(188)
Other working capital transfers from related companies	<u>3,231</u>	<u>1,444</u>
<b>Cash generated from/(used in) continuing operations</b>	<u>4,569</u>	<u>(213)</u>

### 15. Employees and directors

The average weekly number of persons employed by the company, excluding directors, during the current or preceding period was nil (2010: nil).

There were no payroll costs charged through the company in the period (2020: nil).

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

# Hard Rock Holdings Limited

## Notes to the financial statements For the year ended 31 December 2021

### 16. Ultimate parent undertaking and related party transactions

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 and where the principal address is at 5701 Stirling Road, Davie, FL 33314.

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 and ultimate parent undertaking.

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

	2021 \$'000	2020 \$'000
Net financing income from related parties	-	1
Tax paid by other group company	45	(410)
Royalties received from company Cafes	3,225	2,560
Management fees paid to ultimate parent	6,279	6,019

The outstanding balance due as at 31 December 2021 from fellow group undertakings relating to the above transactions was a trade receivable of \$44.1 million as described in note 6 and an amount due to fellow group undertakings of \$45.2 million as described in note 9.

The outstanding balance due as at 31 December 2020 from fellow group undertakings relating to the above transactions was a trade receivable of \$41.9 million as described in note 6 and an amount due to fellow group undertakings of \$40.1 million as described in note 9.

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