

Company Registration No. 01794152

Hard Rock Holdings Limited

Annual report for the year ended

31 December 2019

FRIDAY



AA5FUUEY

A05

28/05/2021

#152

COMPANIES HOUSE

Hard Rock Holdings Limited

Report and financial statements for the year ended 31 December 2019

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities	6
Independent auditor's report to the members of Hard Rock Holdings Limited	7
Statement of profit or loss and other comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14

Hard Rock Holdings Limited

Annual Report and Financial Statements for the year ended 31 December 2019

Officers and professional advisers

Director

Mr Brian Alexander (resigned 12th March 2021)
Mr Ilkim Hincer (appointed 12th March 2021)
Mr David Stuart Pellow

Company Secretary

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London
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
S2 5SY

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom
EC4A 3BZ

Hard Rock Holdings Limited

Strategic report

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 year ended 31 December 2019.

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 \$10.5 million (2018: profit after tax of \$12.2 million) for the year and revenue of \$25.0 million (2018: \$26.5 million).

Regarding franchise locations, the Hard Rock Group opened four new locations during 2019 in Gran Canaria, Malaga (2 locations) and Mallorca while closing two locations in Lyon and in Macau.

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:

	2019	2018
Number of franchise locations	33	31
Number of corporate locations.	24	23
Royalties (Franchise locations)	\$11.0m	\$10.7m
Royalties (Corporate locations)	\$11.6m	\$13.1m
Sale of new territories and fees	\$0.3m	\$0.4m

Future developments

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

As a result of the Covid-19 pandemic, the Company's owned, operated and or franchised properties were closed due to mandatory shutdown requirements by governmental officials. As of the date of the issuance of the respective financial statement, the Company still has a number of company owned and franchised cafes that are still closed or operating in a required limited capacity which has a material negative impact on the royalty revenues.

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 compliance of brand standards of franchisees;
- Foreign exchange and value of USD against non-USD currencies.
- The impact of Brexit on the EU operations.
- COVID 19 pandemic impact on company's operations.

Hard Rock Holdings Limited

Strategic report

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; and
- Regular updates on the impact of the exit of Britain from the EU, and assessment of options available to HRC to reduce the financial impacts.
- 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.

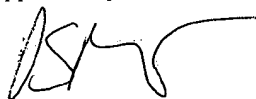
Coronavirus (Covid-19)

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. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment. The outbreak has a continued adverse impact on economic and market conditions and has triggered a period of global economic slowdown.

The Company has never previously experienced a prolonged cessation of its operations for 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. In addition, the magnitude, duration and speed of the global pandemic 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 date of signing these accounts. The effects of further decreases in estimated future operating cash flows could result in the need to recognize additional impairment charges in future periods.

Covid-19 constitutes a non-adjusting post balance sheet event and is also discussed in the Subsequent Events footnote disclosure.

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

28 May 2021

Hard Rock Holdings Limited

Directors' report

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2019. 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

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

- The intermediate parent company, registered in the US, Seminole Hard Rock International 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 \$132m, which demonstrates the the parent has the ability to provide financial support.
- The total net assets of the company amount to £24m while the net current assets amounted to £21m. 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 intention 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.
- As of the date of the issuance of the respective financial statements the company is severely impacted by the COVID 19 which has led to extended period of closures of multiple café locations in the UK and rest of the world.
- In making the going concern assessment, management has considered budgets approved for the whole Hard Rock group for 2021 and 2022, revised forecasts for the respective years, a six year strategic plan, and the return to normalized business by the end of 2022.
- 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

During the year the company did not declare and pay dividends to its immediate parent, Hard Rock International Limited, (2018: \$10.0 million).

Financial risk management

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

Post balance sheet events

COVID-19, which constitutes a non adjusting post balance sheet event, continues to adversely impact global commercial activity. Refer above on discussion on COVID 19 pandemic.

Future developments

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

Hard Rock Holdings Limited

Directors' report

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 Brian Alexander (resigned 12th March 2021)

Mr Ilkim Hincer (appointed 12th 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 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, United Kingdom
EC4N 6AF

28 May 2021

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 31 December 2019 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 17.

The financial reporting framework that has been applied in their preparation is applicable law 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

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

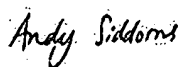
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

28 May 2021

Hard Rock Holdings Limited
Statement of profit or loss and other comprehensive income
For the years ended 31 December 2019 and 2018

		2019	2018
	Notes	\$'000	\$'000
Continuing operations			
Revenue	2	25,029	26,456
Gross profit		25,029	26,456
Other operating costs	3	(12,092)	(10,894)
Operating profit		12,937	15,562
Interest income	4	6	8
Profit before taxation		12,943	15,570
Tax on profit	5	(2,465)	(3,362)
Profit for the year		<u>10,478</u>	<u>12,208</u>
Other comprehensive income		2019	2018
		\$'000	\$'000
Profit for the financial year		10,478	12,208
Total comprehensive income for the year		<u>10,478</u>	<u>12,208</u>

All results are derived from continuing operations.

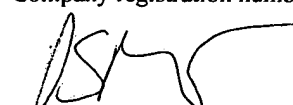
Notes on pages 14 to 26 form an integral part of the financial statements.

Hard Rock Holdings Limited
Statement of financial position
As at 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Non-Current assets			
Other Assets	7	6,000	-
Deferred tax assets	5	331	331
Current assets			
Trade and other receivables	6	41,356	30,112
Cash and cash equivalents	13	3,501	5,901
Total current assets		<u>44,857</u>	<u>36,013</u>
Total assets		<u>51,188</u>	<u>36,344</u>
Current liabilities			
Deferred revenue	10	(522)	(473)
Trade and other payables	9	(23,793)	(19,940)
Total current liabilities		<u>(24,315)</u>	<u>(20,413)</u>
Total assets less current liabilities		26,873	15,931
Net current assets		<u>20,542</u>	<u>15,600</u>
Non-current liabilities			
Deferred revenue	10	(2,680)	(2,216)
Total non-current liabilities		<u>(2,680)</u>	<u>(2,216)</u>
Total liabilities		<u>(26,995)</u>	<u>(22,629)</u>
Net assets		<u>24,193</u>	<u>13,715</u>
Shareholders' equity			
Ordinary share capital		-	-
Retained earnings	11	24,193	13,715
Total equity		<u>24,193</u>	<u>13,715</u>

Notes on pages 14 to 26 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 28 May 2021
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 year ended 31 December 2019 and 2018

	Note	Share capital \$'000	Retained earnings \$'000	Total \$'000
Restated balance at 31 December 2017		-	11,517	11,517
Dividends declared and paid	12	-	(10,010)	(10,010)
Total comprehensive income for the year		-	12,208	12,208
Balance at 31 December 2018		-	13,715	13,715
Dividends declared and paid	12	-	-	-
Total comprehensive income for the year		-	10,478	10,478
Balance at 31 December 2019		-	24,193	24,193

The company declared and paid a dividend during the year ended December 31, 2018 to its parent Hard Rock International Limited for \$10,010,000 on 27 September 2018 (\$100,100 per share). No dividend was declared in 2019.

The notes on pages 14 to 26 form an integral part of the financial statements.

Hard Rock Holdings Limited
Statement of cash flows
For the year ended 31 December 2019 and 2018

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Cash generated from operations	14	3,600	11,340
Net cash generated from operating activities		<u>3,600</u>	<u>11,340</u>
Cash flows used in investing activities			
Key Money	7	(6,000)	-
Net cash used in investing activities		<u>(6,000)</u>	<u>-</u>
Cash flows used in financing activities			
Dividends paid	12	-	(10,010)
Net cash used in financing activities		<u>-</u>	<u>(10,010)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(2,400)</u>	<u>1,330</u>
Cash and cash equivalents at 31 December 2018		<u>5,901</u>	<u>4,571</u>
Cash and cash equivalents at 31 December 2019	13	<u>3,501</u>	<u>5,901</u>

Hard Rock Holdings Limited

Notes to the financial statements For the year ended 31 December 2019

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. 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) and with IFRSs adopted by the United Kingdom.

The financial statements have been prepared under the historical cost convention except for financial instruments that are measured at fair value as explained in the accounting policies below. 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:

- The intermediate parent company, registered in the US, Seminole Hard Rock International 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 \$132m, which demonstrates the the parent has the ability to provide financial support.
- The total net assets of the company amount to £25m while the net current assets amounted to £21m. 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 intention 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.
- As of the date of the issuance of the respective financial statements the company is severely impacted by the COVID 19 which has led to extended period of closures of multiple café locations in the UK and rest of the world.
- In making the going concern assessment, management has considered budgets approved for the whole Hard Rock group for 2021 and 2022, revised forecasts for the respective years, a six year strategic plan, and the return to normalized business by the end of 2022.
- 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 2019

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

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 and IAS 8 (amendments)	Amendments to the definition of material	1 January 2020
Amendments to IFRS 16	Amendment to lease modification rules for lessee's granted COVID-19 related rent concessions	1 June 2020
Conceptual Framework	Amendments to references to the conceptual framework in IFRS standards.	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020
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"> • Business Combinations • Property Plant & Equipment • Provisions, Contingent Liabilities & Contingent Assets • First-time Adoption of IFRS • Financial Instruments • Leases • Agriculture 	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 2019

1. Accounting policies (continued)

Adoption of new and revised standards

IFRS 16 'Leases'

IFRS 16 replaces existing leases related guidance IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. Seminole Hard Rock UK Limited, as a lessee, will have to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

As the company does not hold any arrangement that contain a lease, there is no impact on implementation of IFRS 16.

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 recognizes royalty fee revenues as and when the underlying sales occur. The Company also receives non-refundable initial fees, which are recognized 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.

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.

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.

Hard Rock Holdings Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

Trade receivables

Trade receivables are recognized 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 recognized 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.

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 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.

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.

Hard Rock Holdings Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

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 amortized as a reduction of revenue over the term of the corresponding license and management agreements. No impairment of key money was required for 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:

	2019 \$'000	2018 \$'000
Franchise site fees and Technical assistance fees	321	389
Marketing participation fees	2,199	2,249
Royalties assessed on franchise locations	10,962	10,743
Royalties assessed on related parties	11,547	13,075
	<u>25,029</u>	<u>26,456</u>

3. Other operating costs

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

	2019 \$'000	2018 \$'000
Legal and professional and marketing	1,157	512
Other Income	9	-
Provision for bad debt and other costs	-	8
Tax Compliance	35	32
External audit fees	12	12
Foreign exchange gains	(319)	(300)
Management fees	11,198	10,632
	<u>12,092</u>	<u>10,896</u>

Auditor's remuneration for audit services for the audit of the financial statements of \$12,415 (2018: \$12,240) has been paid on behalf of the Company by related companies. Auditor's remuneration for non-audit services of \$34,700 (2018: \$32,000) has been paid for services related to tax preparation and advice.

4. Interest income

	2019 \$'000	2018 \$'000
Interest income:		
Interest receivable from group companies	(6)	(8)
Net interest income	<u>(6)</u>	<u>(8)</u>

Interest income is recognised on intercompany loans at the rate of 3% (2018: 3%).

Hard Rock Holdings Limited

Notes to the financial statements For the year ended 31 December 2019

5. Taxation

	2019 \$'000	2018 \$'000
Current tax:		
UK corporation tax on profits for the year	2,124	2,163
Foreign current tax	341	770
Adjustment in respect of prior years	-	343
Total current income tax	2,465	3,276
Deferred tax:		
Origination and reversal of timing differences	-	86
Total deferred income tax	-	86
Total taxation on ordinary activities	2,465	3,362

The tax on the company's profit before tax differs from the standard 19% UK Corporation tax rate. The differences are explained below:

Corporation tax for the years ended 31 December 2019 and 2018 are calculated at 19% of the estimated taxable profit for the period.

As of December 31, 2019 legislation states a further reduction of the corporate tax rate to 17% from April 2020 and these rates have therefore been used to measure deferred tax assets and liabilities where applicable.

Subsequent to December 31, 2019, in the finance bill published on March 11, 2020, that the corporate tax rate will be maintained at 19%.

Further, the finance bill published on March 11, 2021, includes 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 have not been adjusted based on the finance bill published on March 11, 2020 and 2021 as these have occurred after the Balance Sheet date.

	2019 \$'000	2018 \$'000
Profit on ordinary activities before tax	12,953	15,570
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	2,461	2,958
Provisions for income tax audit	-	-
Expenses not deductible for tax purposes	-	29
Withholding tax exceeding appropriate treaty provisions	3	6
Other	1	26
Adjustment in respect of prior years	-	343
Total taxation	2,465	3,362

Hard Rock Holdings Limited

Notes to the financial statements For the year ended 31 December 2019

5. Taxation (Continued)

Deferred Tax

Deferred tax is included in the balance sheet as follows:

	2019 \$'000	2018 \$'000
At the start of the period	331	-
(Credit) / expense to Retained Earnings	-	417
(Credit) / expense to the statement of comprehensive income	-	(86)
At the end of the period	<u>331</u>	<u>331</u>
The deferred tax asset can be analysed as follows:		
IFRS 15 adjustment tax impact	<u>331</u>	<u>331</u>
Deferred tax asset	<u>331</u>	<u>331</u>

6. Trade and other receivables

	2019 \$'000	2018 \$'000
Amounts falling due within one year		
Trade receivables	2,973	3,020
Allowance for doubtful debts	(23)	(3)
Trade receivables – net	<u>2,950</u>	<u>3,017</u>
Prepayments	2	663
Amounts owed by fellow group undertakings	<u>38,404</u>	<u>26,432</u>
	<u>41,356</u>	<u>30,112</u>

	Less than 1 month \$'000	1-3 months \$'000	Over 3 months \$'000	Total \$'000
2019				
Trade receivables	2,829	144	-	2,973
	<u>2,829</u>	<u>144</u>	<u>-</u>	<u>2,973</u>

Hard Rock Holdings Limited

Notes to the financial statements For the year ended 31 December 2019

	Less than 1 month	1-3 months	Over 3 months	Total
	\$'000	\$'000	\$'000	\$'000
2018				
Trade receivables	1,875	1,029	116	3,020
	<u>1,875</u>	<u>1,029</u>	<u>116</u>	<u>3,020</u>

7. Other Assets

	2019 \$'000	2018 \$'000
Key Money	<u>6,000</u>	<u>-</u>

During 2018, the company entered into a licensing agreement with American Hotel Exploitation B.V. for the purposes of rebranding a hotel under the Hard Rock name.

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.

Hard Rock Holdings Limited

Notes to the financial statements For the year ended 31 December 2019

8. Financial risk management (continued)

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2019							
Amounts owed to group undertakings	-	23,743	-	-	-	-	23,743
Accruals	-	50	-	-	-	-	50
		<u>23,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,793</u>
31 December 2018							
Amounts owed to group undertakings	-	19,940	-	-	-	-	19,940
		<u>19,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,940</u>

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	£'000	£'000	£'000	£'000	£'000	£'000
2019							
Trade receivables	-	2,973	-	-	-	-	2,973
Amounts owed by fellow group undertakings	-	38,404	-	-	-	-	38,404
		<u>41,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,377</u>
2018							
Trade receivables	-	3,020	-	-	-	-	3,020
Amounts owed by fellow group undertakings	-	26,432	-	-	-	-	26,432
		<u>29,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,452</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.

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 £12.5 million (\$16.6 million valued at the year-end spot rate of 1GBP = \$1.33). For each basis point move in the exchange rate, the value of the obligation will move by approximately \$58,900. 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 2019

9. Trade and other payables

	2019 \$'000	2018 \$'000
Amounts falling due within one year		
Accruals	(50)	-
Trading amounts owed to fellow group undertakings	(23,743)	(19,940)
	<u>(23,793)</u>	<u>(19,940)</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 revenue

	2019 \$'000	2018 \$'000
Deferred revenue: current portion	(522)	(473)
Deferred revenue: between two and five years	(2,680)	(2,216)
	<u>(3,202)</u>	<u>(2,689)</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 2021.

11. Ordinary share capital

	2019 \$	2018 \$
Authorised		
100 ordinary shares of £1 each	204	204
Issued and fully paid		
100 ordinary shares of £1 each	204	204

12. Dividends

	2019 \$'000	2018 \$'000
Amounts declared and paid to immediate parent Hard Rock International Limited	-	10,010

During the year ended December 31, 2019 the company did not declare dividends. On 27 September 2018, the company declared and paid a dividend in cash to its immediate parent at \$100,100 per share.

Hard Rock Holdings Limited

Notes to the financial statements For the year ended 31 December 2019

13. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash and cash equivalents		
Cash at bank and in hand	3,501	5,901
Total cash at bank and in hand	<u>3,501</u>	<u>5,901</u>

14. Cash flow from operating activities

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

Cash generated from operations

	2019 \$'000	2018 \$'000
Profit for the year	10,478	12,208
IFRS 15 Adjustment	-	(2,300)
(Increase) in prepayments, trade and other receivables	(11,244)	(17,045)
Increase in accruals and payables	3,853	13,222
Increase in deferred income	513	2,586
(Increase) in deferred tax asset	-	(331)
Other working capital transfers (to)/from related companies	-	3,000
Cash generated from continuing operations	<u>3,600</u>	<u>11,340</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 (2018: nil).

There were no payroll costs charged through the company in the period (2018: 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 2019

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:

	2019	2018
	\$'000	\$'000
Net financing income from related parties	6	8
Tax paid by other group company	2,465	3,362
Royalties received from company Cafes	11,547	13,075
Management fees paid to ultimate parent	11,198	10,632

Hard Rock Holdings Limited

Notes to the financial statements For the year ended 31 December 2019

16. Related party transactions and ultimate controlling party (continued)

The outstanding balance due as at 31 December 2019 from fellow group undertakings relating to the above transactions was a trade receivable of \$38.4 million as described in note 6 and an amount due to fellow group undertakings of \$23.8 million as described in note 9.

The outstanding balance due as at 31 December 2018 from fellow group undertakings relating to the above transactions was a trade receivable of \$26.4 million as described in note 6 and an amount due to fellow group undertakings of \$19.9million as described in note 9.

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

17. Subsequent events

Brexit

Brexit has brought uncertainty into the market. While there was an initial sales impact due to uncertainty, stability appears to be returning. It is likely to have implications on the availability and cost of labour. We will continue to closely monitor the situation.

COVID-19

The global outbreak of a new strain of coronavirus, COVID-19, which 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. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. Covid-19 constitutes a non-adjusting post balance sheet event.