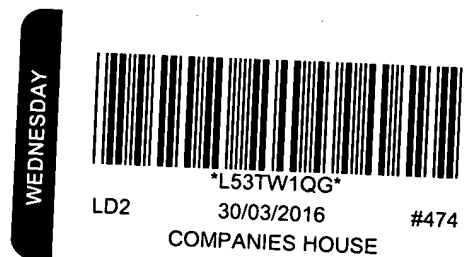


**GLH Hotels Holdings Limited**

Annual report and financial statements

Registered number 4560805

30 June 2015



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## Strategic report

The directors present their strategic report and financial statements for the year ended 30 June 2015.

### Company status and principal activities

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

### Strategy and developments

The vision of glh is to be the world's best managed hospitality company at the hotel level. We continue to focus on our new brands, London and international expansion.

During the year, the Group refurbished two London hotels to bring them up to the standards of their respective new brands; Amba Hotels and every Hotels. Amba Hotel Charing Cross opened in December 2014, and every Hotel Piccadilly opened in February 2015. Both hotels have been well received, with Amba Hotel Charing Cross ranking in TripAdvisor's top 10 London hotels.

November 2015 saw the launch of the second Amba Hotels branded hotel in London, Amba Hotel Marble Arch, with the launch of additional every Hotels expected in 2016/17 with the ambition to add up to another 50 hotels globally by the end of the decade.

The fourth new brand, Thistle Express, was announced during the year, a new value hotel concept which will leverage the strong brand equity and awareness of the core Thistle brand.

In terms of technological innovations, Amba Charing Cross' award-winning super-fast free WiFi offers one of the world's fastest download and upload speeds in a hotel. The Company's new virtual call centre solution also won the "Best SME Contact Centre Solution" at the 2014 UK's Communications Hotels Awards. This use of technology, together with the new Value Centre management model, will continue to drive improved efficiencies and higher guest satisfaction at each of the Company's hotels.

The rebranding of our estate will continue, and we expect more hotels to launch under the new brands within the next 18 months.

### Review of the business

The Company and its subsidiaries ('the Group') had a strong year, with rate growth driving a 1.2% RevPAR increase compared to the prior year. However, due to having more than twice the number of rooms off for refurbishment, overall revenues were down £3.7m (or 1.5%).

Profit conversion was considerably better than in the previous year, as a result of increased average room rate, cost savings from central office restructuring, and lower interest expense as a result of the December 2014 refinancing of Debenture Stock. This resulted in a significant increase in profit before tax, which rose to £5.4m (2014: £1.6m).

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

	Year Ended 30 June 2015	Year Ended 30 June 2014
<b>KPIs: % movement vs prior year</b>		
Occupancy	(0.7)	1.1
Average room rate	1.9	2.9
Revenue per available room (RevPAR)	1.2	4.0

**Principal risks and uncertainties**

Principal risks	Mitigating activities
<p><b>Brand reputation</b></p> <p>The Company and the Group are reliant upon the reputation of the Group brands and the protection of its intellectual property rights. Any event that materially damages the reputation of one or more of the Group's brands and/or failure to sustain the appeal of the Group's brands to its customers may have an adverse impact on subsequent revenues from that brand or related operation.</p>	<p>Each of the brands in our portfolio is designed to meet specific guest needs. The consistency of our brands is managed through the brand standard requirements. We continually review ways to increase awareness and loyalty towards our brands.</p> <p>We are committed to conducting business in a responsible manner. We have put in place a set of internal policies and procedures, which are supported by training, monitoring and reporting.</p>
<p><b>Political or economic uncertainty</b></p> <p>The Company and the Group are exposed to the risk of adverse political or economic developments. Business and consumer confidence has a significant impact on the Group's levels of business and hence profitability.</p> <p><b>Events affecting international travel</b></p> <p>Given the international customer base, the Group is exposed to the risk of significant events impacting international travel (such as acts of terrorism and outbreaks of disease).</p>	<p>The Group operates a diverse range of brands, with hotels in the 3, 4 and 5 star markets. These brands have been designed to have international appeal, and the customer base is not concentrated in any specific geographical region.</p> <p>The Group retains a proactive focus on costs and in the event of a down-turn this enhanced competitiveness allowed us to protect our margins.</p>
<p><b>Treasury risk</b></p> <p>The Group is exposed to treasury risks relating to interest rates on overdrafts, counterparty credit and management of cash, ensuring liabilities are met as they fall due.</p>	<p>The Group's Treasury function manages both the activities of all operating companies within the Group and the Group's borrowings. The Group's treasury activities, including the use of financial instruments, are overseen by the Treasury Review Management Committee.</p>

By order of the board



**Michael Bernard DeNoma**  
Director

17 March 2016

## Directors' report

The directors present their directors' report and financial statements for the year ended 30 June 2015.

## Result and dividends

The results for the year ended 30 June 2015 are set out in the Statement of Comprehensive Income on page 8. Profit after tax for the year was £5,472,000 (2014: £1,213,000).

£Nil interim dividends were paid during the financial year (2014: £Nil). The directors do not recommend the payment of a final dividend (2014: £Nil).

## Directors and directors' interests

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

Michael DeNoma		
Susan Lim Geok Mui		
Premod Paul Thomas	Resigned	1 August 2014
Kah Meng Ho	Appointed	1 August 2014

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

Michael DeNoma is a director of the intermediate parent company, GL Limited, and his interests in its shares and share options are disclosed in that company's accounts.

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

## Going concern

After making due enquiries, the directors have a reasonable expectation that the Company and the Group has adequate resources to continue operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

The Company is funded by its immediate subsidiary company, GLH Hotels Limited, which has net assets of £497m (2014: £493m) and a modest gearing ratio of around 29% (2014: around 30%).

On 20 December 2014, GLH Hotels Limited repaid the £138m of outstanding 10.75% 2014 Debenture Stock. This was replaced with an unsecured 5-year £200m facility, £138m of which was drawn-down in order to redeem the 2014 Debenture Stock.

## Financial risk

The Group's policy and objectives related to financial risk management, including the policy for hedging, is considered in Note 16 to the financial statements. This also considers the position in relation to credit risk, liquidity risk and cashflow risk.

## Donations

£Nil (2014: £Nil) charitable or political donations were made during the year.

## Employee matters

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

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

**Directors' report (*continued*)**

**Disclosure of information to auditor**

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

**Auditor**

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

By order of the board



**Michael Bernard DeNoma**  
Director

17 March 2016

Registered Office  
Stephenson House  
75 Hampstead Road  
London  
NW1 2PL

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities:

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



## **Independent auditor's report to the members of GLH Hotels Holdings Limited**

We have audited the financial statements of GLH Hotels Holdings Limited for the year ended 30 June 2015 set out on pages 8 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Independent auditor's report to the members of GLH Hotels Holdings Limited (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

**Andrew Turner (Senior Statutory Auditor)**

For and on behalf of

**KPMG LLP**  
**Statutory Auditor**

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

22 March 2016

**Consolidated statement of comprehensive income  
for the year ended 30 June 2015**

	Note	Year ended 30 June 2015 £000's	Year ended 30 June 2014 £000's
Revenue		239,144	242,869
Financial income	4	288	126
Depreciation and amortisation	2	(10,232)	(10,892)
Management fees and brand licence	21	(25,554)	(25,983)
Property rent	2	(50,562)	(55,431)
Employee benefits expense	3	(50,561)	(51,235)
Financial costs	5	(17,432)	(21,135)
Other costs		(79,670)	(76,766)
Profit before tax		5,421	1,553
Taxation	6	51	(340)
Profit for the year		5,472	1,213
Attributable to:			
Equity holders of the parent		5,713	1,435
Non-Controlling Interest		(241)	(222)
		5,472	1,213
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gains / (losses) on defined benefit pension plans		1,834	(1,947)
Deferred tax on other comprehensive income		(367)	(198)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Change in fair value on cash flow hedge		(1,845)	-
<b>Total comprehensive income for the year</b>		5,094	(932)
Attributable to:			
Equity holders of the parent		5,335	(710)
Non-Controlling Interest		(241)	(222)
		5,094	(932)

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

The notes set out on pages 12 to 35 form an integral part of these financial statements.

Statements of financial position at 30 June 2015

		Group		Company	
	Note	30 June 2015 £000's	30 June 2014* £000's	30 June 2015 £000's	30 June 2014 £000's
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	628,851	608,122	-	-
Investment in subsidiaries	8	-	-	367,922	367,922
Retirement benefit surplus	20	6,581	2,160	-	-
Total non-current assets		<u>635,432</u>	<u>610,282</u>	<u>367,922</u>	<u>367,922</u>
<b>Current assets</b>					
Inventories	9	386	424	-	-
Cash and cash equivalents		4,039	3,721	-	-
Trade and other receivables	10	37,847	36,017	-	-
Total current assets		<u>42,272</u>	<u>40,162</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>		<u><b>677,704</b></u>	<u><b>650,444</b></u>	<u><b>367,922</b></u>	<u><b>367,922</b></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital	17	-	-	-	-
Hedging reserve	18	(1,845)	-	-	-
Retained earnings / (accumulated losses)	19	83,222	76,042	(35,054)	(23,938)
		<u>81,377</u>	<u>76,042</u>	<u>(35,054)</u>	<u>(23,938)</u>
Non-controlling interest	19	(1,695)	(1,454)	-	-
Total equity		<u>79,682</u>	<u>74,588</u>	<u>(35,054)</u>	<u>(23,938)</u>
<b>Non-current liabilities</b>					
Borrowings	12	193,769	58,248	-	-
Deferred tax	14	14,295	13,977	-	-
Derivative financial instrument	13	1,845	-	-	-
Total non-current liabilities		<u>209,909</u>	<u>72,225</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Bank overdrafts		11,856	10,358	-	-
Borrowings	12	-	140,050	-	-
Trade and other payables	11	374,384	352,634	402,976	391,860
Provisions	15	1,873	589	-	-
Total current liabilities		<u>388,113</u>	<u>503,631</u>	<u>402,976</u>	<u>391,860</u>
Total liabilities		<u>598,022</u>	<u>575,856</u>	<u>402,976</u>	<u>391,860</u>
Total equity and liabilities		<u><b>677,704</b></u>	<u><b>650,444</b></u>	<u><b>367,922</b></u>	<u><b>367,922</b></u>

\*see Note 15.

The notes set out on pages 12 to 35 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 17 March 2016 and were signed on its behalf by:

  
Michael Bernard DeNoma  
Director

**Consolidated statement of changes in equity  
for the year ended 30 June 2015**

	Share Capital	Hedging Reserve	Retained Earnings	Non - Controlling Interest	Total
	£000's	£000's	£000's	£000's	£000's
<b>At 3 July 2013</b>	-	-	76,752	(1,232)	75,520
<i>Comprehensive income for the year</i>					
Profit attributable to equity holders of the parent	-	-	1,435	(222)	1,213
Other comprehensive income	-	-	(2,145)	-	(2,145)
<b>At 30 June 2014</b>	<u>-</u>	<u>-</u>	<u>76,042</u>	<u>(1,454)</u>	<u>74,588</u>
<i>Comprehensive income for the year</i>					
Profit attributable to equity holders of the parent	-	-	5,713	(241)	5,472
Other comprehensive income	-	(1,845)	1,467	-	(378)
<b>At 30 June 2015</b>	<u>-</u>	<u>(1,845)</u>	<u>83,222</u>	<u>(1,695)</u>	<u>79,682</u>

**Company statement of changes in equity  
for the year ended 30 June 2015**

	Share Capital	Accumulated Losses	Total
	£000's	£000's	£000's
<b>At 3 July 2013</b>	-	(13,003)	(13,003)
<i>Comprehensive income for the year</i>			
Loss attributable to equity holders of the parent	-	(10,935)	(10,935)
<b>At 30 June 2014</b>	<u>-</u>	<u>(23,938)</u>	<u>(23,938)</u>
<i>Comprehensive income for the year</i>			
Loss attributable to equity holders of the parent	-	(11,116)	(11,116)
<b>At 30 June 2015</b>	<u>-</u>	<u>(35,054)</u>	<u>(35,054)</u>

The notes set out on pages 12 to 35 form an integral part of these financial statements.

**Cashflow statements for the year ended 30 June 2015**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2015</b>	<b>30 June 2014<sup>1,2</sup></b>	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Cash flows from operating activities</b>				
Profit / (loss) for the financial year	5,472	1,213	(11,116)	(10,935)
Adjustments for:				
Tax (credit) / charge	(51)	340	-	-
Financial costs	17,432	21,135	11,116	10,935
Financial income	(288)	(126)	-	-
Depreciation	10,232	10,892	-	-
Pension fund payments in excess of P&L charge	(2,587)	(2,980)	-	-
Amortisation of fees	322	-	-	-
Changes in working capital:				
Decrease in inventories	38	130	-	-
(Increase) / decrease in trade and other receivables	(1,544)	4,501	-	-
Increase in trade and other payables	14,529	9,728	-	-
Increase in provisions	1,284	589	-	-
<b>Cash generated from operations</b>	<b>44,839</b>	<b>45,422</b>	<b>-</b>	<b>-</b>
Interest received	2	17	-	-
Interest paid	(12,506)	(19,222)	-	-
<b>Net cash generated from operating activities</b>	<b>32,335</b>	<b>26,217</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Purchase of tangible fixed assets	(30,961)	(18,553)	-	-
<b>Net cash used in investing activities</b>	<b>(30,961)</b>	<b>(18,553)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Fees paid relating to debenture	(2,554)	-	-	-
Debenture stock redeemed	(138,000)	-	-	-
New bank loan	138,000	-	-	-
New loan (to) group companies	-	(13,000)	-	-
<b>Net cash (used in) financing activities</b>	<b>(2,554)</b>	<b>(13,000)</b>	<b>-</b>	<b>-</b>
Net (decrease) in cash and cash equivalents	(1,180)	(5,336)	-	-
Cash and cash equivalent at the start of the year	(6,637)	(1,301)	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>(7,817)</b>	<b>(6,637)</b>	<b>-</b>	<b>-</b>

<sup>1</sup> see Note 15.

<sup>2</sup> Re-presented for reclassification of unpaid interest received / paid to movement in trade and other receivables / payables.

The notes set out on pages 12 to 35 form an integral part of these financial statements.

## Notes to the financial statements

### 1 – Accounting Policies

#### **Basis of preparation**

These financial statements have been prepared and approved by the directors under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU ("Adopted IFRSs").

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

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

The financial statements have been prepared on the going concern basis which assumes that the Company and Group will be able to continue to trade for the foreseeable future.

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

#### **Reclassification**

The prior year Statements of Cashflows have been re-presented to show unpaid interest receivable / payable in the movement in trade and other receivables / payables.

The Statements of Financial Position at 30 June 2014 have been re-presented to reclassify amounts previously classified within trade and other payables as provisions. This restatement has the effect of decreasing trade and other payables as at 30 June 2014 by £589,000 with an equal and offsetting increase in provisions.

#### **Going concern**

The Group has considerable financial resources together with contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### **Future changes to accounting standards**

There are a number of standards and interpretations issued by the IASB that are effective for financial statements after this reporting period. The following have not been early adopted by the Group:

International Financial Reporting Standards	Effective for accounting periods starting on or after
IFRS 10, Consolidated financial statements	1 January 2016
IFRS 11, Joint arrangements	1 January 2016
IFRS 9, Financial instruments	1 January 2018
IAS 1, Presentation of financial statements	1 January 2016
IAS 16, Property, plant and equipment	1 January 2016
IAS 27, Separate financial statements	1 January 2016
IAS 28, Associates and joint ventures	1 January 2016

The application of these standards is not anticipated to have a material effect on the Group's financial statements except for additional disclosure.

#### **Basis of consolidation**

The financial statements incorporate the accounts of the Company and all its subsidiaries for the year ended 30 June 2015. The results of subsidiaries acquired or disposed of during the year are included in the Group profit and loss account from or up to the effective date of acquisition or disposal.

Apart from Grand Imperial Restaurant LLP, all the Group's subsidiary undertakings are wholly owned companies. The parent company financial statements present information about the Company as a separate entity and not about its group.

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

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

#### *Subsidiaries*

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

#### *Joint Arrangements*

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

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

#### *Transactions eliminated on consolidation*

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

#### *Separate parent company financial statements*

In the parent company financial statements, all investments in subsidiaries, joint ventures, and associates are carried at cost less impairment.

#### *Inventories*

Inventories comprise food and beverages, and retail vouchers for resale and are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Note 9 shows further details of the charge to the statement of comprehensive income.

#### *Property, plant and equipment*

All property, plant and equipment is stated at cost or deemed cost less depreciation and any necessary provision for impairment. No impairment provisions exist at the statement of financial position date as there were no indications of impairment. No impairment provisions have been made or reversed during the current and previous financial periods.

Under the transitional provisions of IFRS 1 land and buildings which were previously stated at cost or valuation under UK GAAP are stated at deemed cost being their UK GAAP carrying values as at 4 July 2004.

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

The principal expected useful economic lives are:

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

Repairs and maintenance costs are expensed as incurred.

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

#### *Leased assets*

##### *Operating lease payments*

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

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

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

#### *Finance lease payments*

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

#### *Classification of non-derivative financial instruments*

A non-derivative is where a company has no obligation to deliver a variable number of the Company's own equity instruments. Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Specific to the Company are:

#### *Trade and other receivables*

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

#### *Trade and other payables*

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

#### *Cash and cash equivalents*

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

#### *Investments in debt and equity securities*

Investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

#### *Interest-bearing borrowings*

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

#### *Classification of derivative financial instruments*

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

#### *Cash flow hedge*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in fair value of the derivative is recognised in OCI and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affected profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.



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

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

#### ***Intra-group financial instruments***

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### ***Impairment excluding inventories, and deferred tax assets***

##### ***Financial assets (including receivables)***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### ***Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### ***Provisions***

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### ***Revenue***

Revenue comprises income from the ownership, management and operation of hotels, excluding VAT, and is recognised as the related services are provided. All revenue is generated in the UK.

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

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

#### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

#### **Financing income and expenses**

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

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

#### **Foreign currency**

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

#### **Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation has been discontinued from the start of the comparative period.

#### **Defined benefit pension schemes**

Costs in respect of defined benefit pension schemes operated by the GLH Hotels Group are treated by the Company as if they relate to defined contribution schemes. The information available regarding the assets and liabilities of the schemes is not sufficient to allow the Company to account for the schemes as defined benefit schemes in its financial statements.

Full details of the assets and liabilities of the defined benefit pension schemes operated by the GLH Hotels Group are shown in the financial statements of GLH Hotels Holdings Limited.

#### **Defined contribution plans**

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

## Notes to the financial statements (continued)

### 2 - Expenses and Auditor's Remuneration

The Group's profit before tax is stated after charging:

	Group	
	Year ended 30 June 2015 £000's	Year ended 30 June 2014 £000's
Amounts payable to auditors:		
Audit of these financial statements	5	5
Audit of financial statements of subsidiaries pursuant to legislation	129	152
Pension scheme audit	12	11
Depreciation and other amounts written off tangible fixed assets	10,232	10,892
Equipment rentals payable under operating leases	1,124	708
Property rentals payable under operating leases	<u>50,562</u>	<u>55,431</u>

All fees payable to the auditors were incurred by GLH Hotels Limited.

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

	Group	
	Year ended 30 June 2015 £000's	Year ended 30 June 2014 £000's
Employee costs during the year:		
Agency wages	15,169	15,106
Employee wages and salaries	32,085	33,049
Employer's social security costs	2,699	2,636
Employer's pension costs	608	444
	<u>50,561</u>	<u>51,235</u>

	Group	
	Year ended 30 June 2015 No	Year ended 30 June 2014 No
Average monthly staff employed (excluding agency staff):		
Hotel operating staff	<u>1,662</u>	<u>1,768</u>

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

Both defined benefit and defined contribution costs are included within the employers' pension costs.

None of the Directors or Key Management received any emoluments in respect of their services to the Company in either year. They are remunerated in respect of their services to the Company by other companies in the Hong Leong group, with no specific recharge being made to the Company or the Group.

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

**4 - Financial income**

	<b>Group</b>	
	<b>Year ended 30 June 2015 £000's</b>	<b>Year ended 30 June 2014 £000's</b>
Bank interest receivable	144	17
Net interest income on retirement benefit obligations	144	109
	<u>288</u>	<u>126</u>

**5 - Financial costs**

	<b>Group</b>	
	<b>Year ended 30 June 2015 £000's</b>	<b>Year ended 30 June 2014 £000's</b>
Bank overdrafts	88	16
Debenture stock and bank loan interest	12,952	19,219
Amortisation of fair value adjustment on debentures	(2,689)	(4,229)
Interest paid to related parties	7,081	6,096
Other interest	-	33
	<u>17,432</u>	<u>21,135</u>

Notes to the financial statements (continued)

6 - Taxation

	Group			
	Year ended 30 June 2015 £000's	Year ended 30 June 2014 £000's		
<i>Recognised in the Income Statement</i>				
UK corporation tax				
Adjustments in respect of previous years	(2)	495		
<b>Current tax (credit) / charge</b>	<b>(2)</b>	<b>495</b>		
Deferred taxation				
Effect of changes in tax rate	17	(2,025)		
Current year tax charge	13	140		
Adjustments in respect of previous years	(79)	1,730		
<b>Deferred tax credit recognised in statement of comprehensive income</b>	<b>(49)</b>	<b>(155)</b>		
<b>Actual tax (credit) / charge recognised in the income statement</b>	<b>(51)</b>	<b>340</b>		
<i>Recognised in Other Comprehensive Income</i>				
Deferred tax on pension surplus	367	198		
<b>Actual tax charge recognised in other comprehensive income</b>	<b>367</b>	<b>198</b>		
<i>Reconciliation of effective tax rate</i>				
	Year ended 30 June 2015		Year ended 30 June 2014	
	%	£000's	%	£000's
Profit before tax for the year	100	5,421	100	1,553
Expected tax charge at 20.75% / 22.5%	20.8	1,125	22.5	349
Items not subject to tax or deductible for tax purposes	26.9	1,459	95.3	1,480
Group relief receivable for nil consideration	(21.7)	(1,176)	(33.6)	(522)
Movement in unprovided deferred tax	(20.6)	(1,117)	(26.7)	(415)
Deferred tax rate change	(1.5)	(79)	(130.4)	(2,025)
Movement of provision on capital gains	-	-	(46.3)	(719)
Non-taxable income on disposal of property	-	-	(2.1)	(33)
Adjustments in respect of previous years	0.2	9	143.3	2,225
Indexation on base cost	(5.0)	(272)	-	-
<b>Actual tax (credit) / charge in income statement</b>	<b>(0.9)</b>	<b>(51)</b>	<b>22.0</b>	<b>340</b>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly and reduce the deferred tax liability at 30 June 2015 (which has been calculated based on the rate of 20% substantively enacted at the balance sheet date) by £715,000.

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

**7 - Property, plant and equipment**

	<b>Group</b>		
<b>As at 30 June 2015</b>	<b>Land and buildings</b>	<b>Fit out costs, plant and equipment</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Cost</b>			
At the beginning of the financial year	556,398	234,935	791,333
Additions	677	30,284	30,961
At the end of the financial year	<b>557,075</b>	<b>265,219</b>	<b>822,294</b>
<b>Depreciation</b>			
At the beginning of the financial year	15,573	167,638	183,211
Charge for the financial year	1,759	8,473	10,232
At the end of the financial year	<b>17,332</b>	<b>176,111</b>	<b>193,443</b>
<b>Net book value</b>			
As at 30 June 2015	<b>539,743</b>	<b>89,108</b>	<b>628,851</b>

<b>As at 30 June 2014</b>	<b>Land and buildings</b>	<b>Fit out costs, plant and equipment</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Cost</b>			
At the beginning of the financial year	554,366	218,414	772,780
Additions	2,032	16,521	18,553
At the end of the financial year	<b>556,398</b>	<b>234,935</b>	<b>791,333</b>
<b>Depreciation</b>			
At the beginning of the financial year	13,523	158,796	172,319
Charge for the financial year	2,050	8,842	10,892
At the end of the financial year	<b>15,573</b>	<b>167,638</b>	<b>183,211</b>
<b>Net book value</b>			
As at 30 June 2014	<b>540,825</b>	<b>67,297</b>	<b>608,122</b>

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

**7 – Property, plant and equipment (continued)**

One property (2014: three) with aggregate carrying value of £75million (2014: £387million) is charged as security for the Group's debenture borrowing facilities.

At 30 June 2015, certain of the Group's properties were tested for impairment.

The recoverable amounts of the properties are determined from value in use calculations. The key assumptions used are in relation to discount and growth rates. Growth rates incorporate occupancy, room rate, volume and direct cost changes. Management used pre-tax discount factor of 9.11% over the forecast period.

When performing the impairment review the relevant growth rates included were specific to each operating site and reflected their particular circumstances. The average growth rate across the portfolio was as follows:

	June 2015	June 2016 onwards
Average portfolio growth	27.9%	3.5%

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

At the beginning and end of the financial year the calculations indicated that the value in use of all properties exceeded their book value and therefore no hotels needed to be impaired.

The net book value of land and buildings comprises:

	Group	
	30 June 2015 £000's	30 June 2014 £000's
Freehold	212,100	212,416
Long leasehold	313,207	316,422
Short leasehold	14,436	11,987
	<b>539,743</b>	<b>540,825</b>

## Notes to the financial statements (continued)

### 8 - Investment in subsidiaries

	Company	
	30 June 2015 £000's	30 June 2014 £000's
Net book value at the beginning and end of the year	<u>367,922</u>	<u>367,922</u>

The Company holds 100% of the shares in GLH Hotels Limited.

GLH Hotels Limited holds 100% of the shares in the following companies

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

All of the companies are registered and incorporated in the United Kingdom.

\*Thistle Westminster Limited is dormant and exempt from filing and preparing individual financial statements.

The Company is a 50% member of the limited liability partnership in Grand Imperial Grosvenor LLP, but holds a casting vote. This has been consolidated as a subsidiary in the Group accounts.

### 9 - Inventories

As at 30 June 2015	Group			
	Food stock £000's	Beverage stock £000's	Other stock £000's	Total £000's
<b>Cost</b>				
At the beginning of the financial year	209	215	-	424
Purchases	8,062	2,040	23	10,125
Utilised during the year	(8,061)	(2,096)	(6)	(10,163)
At the end of the financial year	<u>210</u>	<u>159</u>	<u>17</u>	<u>386</u>

As at 30 June 2014	Group			
	Food stock £000's	Beverage stock £000's	Other stock £000's	Total £000's
<b>Cost</b>				
At the beginning of the financial year	198	316	40	554
Purchases	7,930	2,092	-	10,022
Utilised during the year	(7,919)	(2,193)	(40)	(10,152)
At the end of the financial year	<u>209</u>	<u>215</u>	<u>-</u>	<u>424</u>

All stock held is expected to be utilised within 12 months.



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

**10 - Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Current assets</b>				
Trade debtors	13,783	14,128	-	-
Provision for bad debt	(116)	(84)	-	-
Net trade debtors	13,667	14,044	-	-
Other debtors	5,654	3,763	-	-
Prepayments and accrued income	18,526	18,210	-	-
	<u>37,847</u>	<u>36,017</u>	<u>-</u>	<u>-</u>

**Trade debtors that are not impaired**

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Neither past due nor impaired	10,551	10,986	-	-
Less than 1 month past due	3,006	3,016	-	-
1 to 3 months past due	94	42	-	-
Greater than 3 months past due	16	-	-	-
	<u>13,667</u>	<u>14,044</u>	<u>-</u>	<u>-</u>

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

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

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

Notes to the financial statements (continued)

11 - Trade and other payables

	Group		Company	
	30 June 2015	30 June 2014*	30 June 2015	30 June 2014
	£000's	£000's	£000's	£000's
<b>Current liabilities</b>				
Trade creditors	23,269	20,437	-	-
Other taxation and social security	2,311	1,647	-	-
Other creditors	29,414	22,673	-	193
Amounts owed to parent company of the group	255,280	252,629	260,777	252,629
Amounts owed to related parties	51,473	42,911	142,199	139,038
Accruals and deferred income	12,637	12,337	-	-
	<u>374,384</u>	<u>352,634</u>	<u>402,976</u>	<u>391,860</u>

\* see Note 15.

The contractual cashflows of trade creditors and accruals will see these liabilities settled in the next six months. Amounts owed to related parties and to the parent company of the Group are not expected to be settled within 12 months.

12 - Borrowings

	Group	
	30 June 2015	30 June 2014
	£000's	£000's *
<b>Non-current</b>		
Unsecured bank loan	135,837	-
7.875% fixed rate debenture stock - repayable 2022	57,932	58,248
<b>Current</b>		
10.75% fixed rate debenture stock - repayable 2014	-	140,050
	<u>193,769</u>	<u>198,298</u>

The value of the debentures shown above includes a fair value uplift of £2,840,000 (2014: £5,137,000) that was created on the acquisition of GLH Hotels limited by GLH Hotel Holdings Limited. The fair value uplift is being unwound over the maturity of the debenture instruments.

On 20 December 2014, GLH Hotels Limited repaid the £138m of outstanding 10.75% 2014 Debenture Stock. This was replaced with an unsecured 5-year £200m facility, £138m of which was drawn-down in order to redeem the 2014 Debenture Stock.

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

**13 - Derivative financial instrument**

	<b>Group</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£000's</b>	<b>£000's</b>
Fair value of interest rate swap	<b>1,845</b>	-
	<b>1,845</b>	-

A forward rate interest swap with a nominal value of £138m was entered for hedging purposes during the year for a 3 year tenor starting from December 2016. This interest swap is designated as a cash flow hedge with notional contractual amounts of £138m which requires the Group to pay a fixed interest rate of 2.47% and allows the Group to receive a variable rate equal to LIBOR on the notional amount. The forward interest rate swap is valued using valuation techniques with market observable inputs. The valuation technique is the swap model, using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve.

**14 - Deferred tax**

The movements in deferred tax assets and liabilities during the financial year were as follows:

	<b>30 June 2014</b>	<b>Recognised in statement of comprehensive income</b>	<b>Recognised in statement of comprehensive income</b>	<b>30 June 2015</b>
<b>Group</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Assets</b>				
Other	(1,028)	460	-	(568)
	<b>(1,028)</b>	<b>460</b>	<b>-</b>	<b>(568)</b>
<b>Liabilities</b>				
Employee benefits	432	502	367	1,301
Property assets	13,392	1,286	-	14,678
Losses	1,181	(2,297)	-	(1,116)
	<b>15,005</b>	<b>(509)</b>	<b>367</b>	<b>14,863</b>
<b>Total</b>	<b>13,977</b>	<b>(49)</b>	<b>367</b>	<b>14,295</b>

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

**14 - Deferred tax (continued)**

The movements in deferred tax assets and liabilities during the previous financial year were as follows:

	3 July 2013	Recognised in statement of comprehensive income £000's	Recognised in statement of comprehensive income £000's	30 June 2014
Group	£000's			£000's
<b>Assets</b>				
Other	(2,163)	1,135	-	(1,028)
	<u>(2,163)</u>	<u>1,135</u>	<u>-</u>	<u>(1,028)</u>
<b>Liabilities</b>				
Employee benefits	260	(26)	198	432
Property assets	14,656	(1,264)	-	13,392
Losses	1,181	-	-	1,181
	<u>16,097</u>	<u>(1,290)</u>	<u>198</u>	<u>15,005</u>
<b>Total</b>	<u>13,934</u>	<u>(155)</u>	<u>198</u>	<u>13,977</u>

Deferred tax assets and liabilities are offset when there is a right to set off current tax assets and liabilities which relate to the same taxation jurisdiction.

Deferred tax assets are recognised on the basis that they will be absorbed by forecast future taxable profits. As at 30 June 2015, the Group has tax losses and other temporary differences of £5,093,000 (2014: £6,823,000) on which no deferred tax asset is recognised due to insufficient evidence that these amounts will be recovered in the foreseeable future.

**15 - Provisions**

**Group**

The movements in provisions were as follows:

	3 July 2013	Provisions made during the year*	30 June 2014*	Provisions made during the year	30 June 2015
	£000's	£000's	£000's	£000's	£000's
Provision	<u>-</u>	<u>589</u>	<u>589</u>	<u>1,284</u>	<u>1,873</u>

As at 30 June 2015, the Group was subject to three legal claims in relation to properties previously leased and operated by the Group. Subsequently, agreement has been reached with the claimants on two of these claims. The Group continues to defend its position in relation to the remaining claim. The nature of this provision is confidential and therefore has not been disclosed.

\*The Group Statement of Financial Position at 30 June 2014 has been re-presented to reclassify amounts previously classified within trade and other payables as provisions. This restatement has the effect of decreasing trade and other payables as at 30 June 2014 by £589,000 with an equal and offsetting increase in provisions.

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

**16 - Financial instruments**

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

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

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

**b) Liquidity risk**

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

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

<b>As at 30 June 2015</b>	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Group</b>						
<b>Non-derivative financial liabilities</b>						
Bank overdraft	11,856	11,856	11,856	-	-	-
Secured debenture stocks	57,992	85,898	4,360	4,360	13,080	64,098
Unsecured bank loans	135,837	152,991	2,795	3,485	146,711	-
Trade and other payables	374,384	374,384	374,384	-	-	-
<b>Derivative financial liabilities</b>						
Derivative financial instrument	1,845	3,994	-	665	3,329	-
	<b>581,914</b>	<b>629,123</b>	<b>393,395</b>	<b>8,510</b>	<b>163,120</b>	<b>64,098</b>

<b>As at 30 June 2014</b>	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Group</b>						
<b>Non-derivative financial liabilities</b>						
Bank overdraft	10,358	10,358	10,358	-	-	-
Secured debenture stocks	198,620	235,795	149,891	4,361	13,083	68,460
Trade and other payables*	352,634	352,634	352,634	-	-	-
	<b>561,612</b>	<b>598,787</b>	<b>512,883</b>	<b>4,361</b>	<b>13,083</b>	<b>68,460</b>

\* see Note 15.

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

**16 - Financial instruments (continued)**

**c) Credit risk**

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

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

The hotel business has its own credit policy to allow credit period of 14 days for its customers. The Group has no significant concentrations of credit risks and does not obtain any collateral from customers.

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

**d) Interest rate risk**

The Group's interest rate risk arises from treasury activities and borrowings. Interest rate risk is managed by the treasury department within approved limits. The Group also uses interest rate swaps to manage its interest rate exposure as appropriate. As at 30 June 2015, the Group has an interest rate swap classified as cash flow hedges with notional contractual amounts of £138m (2014: £nil) which requires them to pay a fixed interest rate of 2.47% (2014: nil) and allows them to receive a variable rate equal to LIBOR on the notional amount.

As at 30 June 2015, it is estimated that a general increase/decrease on 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit and total equity by approximately £544,000.

**e) Currency risk**

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

**f) Financial assets**

The Group's financial assets as at 30 June 2015 comprised interest bearing cash balances of £4,039,000 (2014: £3,721,000) and debtors of £37,847,000 (2014: £36,017,000). There was no difference between the carrying value and the fair value of financial assets at 30 June 2015 (2014: no difference).

The Company's financial assets as at 30 June 2015 comprised interest bearing cash balances of £Nil (2014: £Nil), and receivables of £Nil (2014: £Nil). There was no difference between the carrying value and the fair value of financial assets at 30 June 2015 (2014: no difference).

**g) Capital management**

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

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

There has been no change in the objectives, policies or processes with regards to capital management during the years ended 30 June 2014 and 30 June 2015.

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

**17 - Share capital**

	Group and Company			
	Number of shares		Nominal Value	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	No	No	£	£
Ordinary shares of £1 each				
Issued and fully paid:				
At the beginning and end of the financial year	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

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

**18 - Hedging reserve**

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

**19 - Retained earnings**

The retained earnings reserve comprises the cumulative net gains and losses recognised earnings in the consolidated statement of comprehensive income.

The non-controlling interest balance of £1,695,000 (2014: £1,454,000) relates to the loss attributable to the other members of the Grand Imperial Restaurant LLP.

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

### 20 - Retirement Benefit Obligations

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

The amounts recognised in the balance sheet have been determined by a qualified independent actuary by updating the latest full actuarial assessments of the schemes as at 1 May 2011 to 30 June 2015 and comprise:

	30 June 2015 £000's	30 June 2014 £000's	3 July 2013 £000's	3 July 2012 £000's	27 June 2011 £000's
<b>Group</b>					
Fair value of Schemes' investment assets	92,057	85,619	77,860	70,421	65,050
Present value of unfunded obligations	(85,476)	(83,459)	(76,842)	(77,060)	(67,671)
Net surplus / (deficit) in schemes	<u>6,581</u>	<u>2,160</u>	<u>1,018</u>	<u>(6,639)</u>	<u>(2,621)</u>

#### Principal actuarial assumptions

The principal assumptions used are estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily occur in practice.

	30 June 2015 %	30 June 2014 %
<b>Financial assumptions</b>		
Discount rate	3.85	4.10
Inflation assumption (RPI)	3.25	3.35
Inflation assumption (CPI)	2.15	2.35
Rate of increase in salaries	3.75	3.85
Rate of increase to pensions in payment (RPI maximum 5% pa)	3.20	3.20
Rate of increase to pensions in payment (CPI maximum 3% pa)	2.00	2.00
Rate of increase to pensions in payment (CPI maximum 2.5% pa)	1.80	1.80
<b>Demographic assumptions</b>		
Life expectancy at age 65 of male member aged 65 at year-end	22.6 years	22.2 years
Life expectancy at age 65 of male member aged 45 at year-end	24.4 years	23.5 years



## Notes to the financial statements (continued)

### 20 - Retirement Benefit Obligations (continued)

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

	30 June 2015 £000's	30 June 2014 £000's
Fair value of Schemes' assets at start of the financial year	85,619	77,860
Net interest on Scheme assets	3,520	3,556
Return on plan assets in excess of that recognised in interest	2,723	3,475
Contributions from the Company	2,714	3,220
Contributions from members	21	22
Benefits paid	(2,540)	(2,514)
Fair value of Schemes' assets at end of the financial year	<u>92,057</u>	<u>85,619</u>

#### Analysis of Scheme assets

	30 June 2015 £000's	30 June 2014 £000's
Equities / Diversified Growth Fund	50,780	46,753
Bonds	40,820	38,262
Cash	457	604
Total market value of assets	<u>92,057</u>	<u>85,619</u>

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

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

	30 June 2015 £000's	30 June 2014 £000's
Present value of the Schemes' obligation at the start of the financial year	83,459	76,842
Current service cost	271	240
Interest cost	3,376	3,447
Actuarial loss arising from changes in financial assumptions	2,893	5,383
Actuarial loss arising from changes in demographic assumptions	861	-
Actuarial (gain) / loss arising from experience	(2,865)	39
Contributions from members	21	22
Benefits paid	(2,540)	(2,514)
Present value of the Schemes' obligation at the end of the financial year	<u>85,476</u>	<u>83,459</u>

#### Sensitivity analysis

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

	Increase/(decrease) £000's
Discount rate:	
0.1 percentage point increase	1,410
0.1 percentage point decrease	(1,410)
Inflation:	
0.1 percentage point increase	(640)
0.1 percentage point decrease	640
Life expectancy:	
One-year increase	(2,800)
One-year decrease	2,800

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

**20 - Retirement Benefit Obligations** *(continued)*

**Amounts recognised in the Statement of Comprehensive Income**

	Year ended 30 June 2015 £000's	Year ended 30 June 2014 £000's
Included in operating costs:		
Current service cost	271	240
Included in financing costs:		
Net interest receivable on the Scheme's surplus	(144)	(109)
<b>Pension expense recognised in profit and loss</b>	<b>127</b>	<b>131</b>
Included in other comprehensive income:		
Return on plan assets in excess of that recognised in net interest	(2,723)	(3,475)
Actuarial loss arising from changes in financial assumptions	2,893	5,383
Actuarial loss arising from changes in demographic assumptions	861	-
Actuarial (gain) / loss arising from experience	(2,865)	39
<b>Total (gain) / loss recognised in other comprehensive income</b>	<b>(1,834)</b>	<b>1,947</b>
<b>Total (gain) / loss recognised in the Statement of Comprehensive Income</b>	<b>(1,707)</b>	<b>2,078</b>

**Defined contribution pension schemes**

The Group operates defined contribution pension schemes for certain employees. Costs for the financial year amounted to £445,000 (2014: £385,000).

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

### 21 - Related party transactions

#### Group

Management fees of £928,000 (2014: £568,000) are payable to GGMC Limited, a company controlled by Tan Sri Quek Leng Chan. The amount accrued but unpaid at the year-end amounted to £857,000 (2014: £469,000).

Purchases of £2,200,000 (2014: £1,700,000) furniture from Hume Furniture Sdn, a company controlled by Tan Sri Quek Leng Chan. The amount invoiced but unpaid at the year-end amounted to £Nil (2014: £Nil).

Income of £290,000 (2014: £290,000) from GLH Hotels Management (UK) Limited in respect for rent and services charges for office space.

Rent of £14,250,000 (2014: £14,250,000) was payable to GLH RHG Limited and GLH KG Limited, both of which are controlled by GLH Hotels Group Limited.

Interest of £7,081,000 (2014: £6,096,000) was paid to GLH Hotels Group Limited in respect of a loan balance.

In addition, the Group entered into the following aggregate transactions with its subsidiaries and GLH Hotels Management (UK) Limited:

	Year ended 30 June 2015 £000's	Year ended 30 June 2014 £000's
Interest expense on group balances	(11,116)	(10,742)
Management fees & brand licence	(25,554)	(25,983)
	<hr/>	<hr/>

The net movements from these transactions are accumulated in the amounts owed to or from Group companies shown in Notes 10 and 11.

The Group also provided an accounts payable function to Clermont Leisure UK, a subsidiary of GL. These transactions were fully recharged and amounted to £194,000 (2014: £239,000).

#### Company

Interest of £7,081,000 (2014: £6,096,000) was paid to GLH Hotels Group Limited in respect of a loan balance.

Interest of £4,035,000 (2014: £4,839,000) was paid to GLH Hotels Limited in respect of a loan balance.

## Notes to the financial statements (continued)

### 22 - Financial commitments

The total amounts payable over the remainder of the life of non-cancellable operating leases is as follows

	30 June 2015		30 June 2014	
	Property £000's	Plant and Equipment £000's	Property £000's	Plant and Equipment £000's
Payments which fall due				
Within one year	47,208	362	50,531	602
In the second to fifth years inclusive	204,412	273	204,572	488
After five years	971,996	-	794,215	-
Total payable over the life of the leases	<u>1,223,616</u>	<u>635</u>	<u>1,049,318</u>	<u>1,090</u>

	30 June 2015 £000's	30 June 2014 £000's
<i>Capital commitments</i>		
Contracted for but not provided in the accounts	<u>5,399</u>	<u>7,187</u>

### 23 - Accounting estimates and judgements

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

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

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

- Consideration of impairment to the carrying values of assets has been made and we concluded that the individual carrying values of operating assets are supportable by value in use. The impact of the current economic conditions on the assessment of going concern has been considered.
- Note 7 – Property, plant and equipment - Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment and intangible assets. The selection of these residual values and estimated lives requires the exercise of judgement. The Company is required to assess whether there is indication of impairment to the carrying value of assets. In making that assessment, judgements are made in estimating value in use. The directors consider that the individual carrying values of assets are supportable by value in use.
- Note 14 - Deferred tax assets – Represents the extent to which future profits are expected to be offset by losses in the foreseeable future. The Company recognises expected liabilities and assets for tax based on an estimation of the likely taxes affect, which requires judgement as to the ultimate tax determination of certain items.

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

**24 - Parent and ultimate parent undertakings and controlling parties**

The immediate parent undertaking is GLH Hotels Group Limited, a company registered in Bermuda. The financial statements of GLH Hotels Group Limited are not available to the public.

GLH Hotels Group Limited is a wholly owned subsidiary of GL Limited, a company registered in Bermuda and listed on the Singapore Stock Exchange. Copies of the accounts of GL Limited can be obtained from its website [www.gl-grp.com](http://www.gl-grp.com) or from its offices at 20 Collyer Quay, 18-05 Singapore, 049319.

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