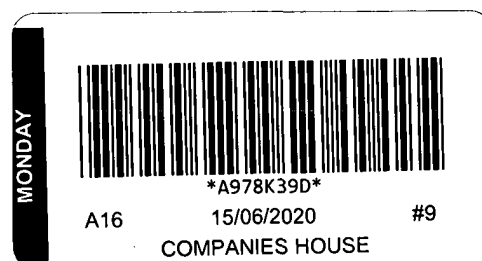


GLH Hotels Holdings Limited
Annual report and financial statements
Registered number 4560805
30 June 2019



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Strategic Report

The directors present their Strategic Report for the year ended 30 June 2019.

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 Group is the ownership and operation of hotels in the UK.

Strategy and Developments

During the year ended 30 June 2019 the Company and its subsidiaries operated 17 hotels, which also comprises the 'Group'.

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

An agreement with Hard Rock International Limited to transform The Cumberland Hotel was signed on 15 June 2016. Refurbishment works commenced in May 2017 and completed during the current financial year. The hotel launched as Hard Rock Hotel London on 30 April 2019.

During the prior financial year, trading ceased at the Thistle Euston. On 23 February 2017, Royal Assent was given to the HS2 rail line and the Government issued a Compulsory Purchase Order ("CPO"), with the hotel closing on 4 October 2017. During the prior year the Group received partial compensation of £27,523,000 with final compensation negotiations still ongoing. This was offset by an impairment of the assets held by Euston at the date of the CPO to give rise to a profit on disposal of £20,800,000 which was recognised in the prior year.

During the year, work commenced on a refurbishment of The Grosvenor Hotel which will be rebranded as Amba Hotel Grosvenor and this is expected to be completed during FY 2020.

The Group has loan borrowings of £165.4m (2018: £194.3m) of which £55.2m (2018: £55.2m) are listed on the London Stock Exchange. During the year £28.0m of the £138.0m principal bank loan was repaid and the maturity date of the remaining borrowings was revised to 30 September 2023. Details relating to all borrowing costs are set out in note 15. In addition on 16th September 2019, £23m was repaid on the unsecured borrowings, reducing the principal loan outstanding to £87m.

Performance of the London hotel market is expected to be modest in the near to medium term, and the Company continues to maintain a cautious outlook given the increased supply of hotel rooms into the London market and the continuing uncertainty regarding Brexit.

Review of the business

The Company and its subsidiaries ('the Group') were impacted by the disruption prior to the re-launch of the Cumberland Hotel under the Hard Rock brand. The results for the year ended 30 June 2019 show a 4% increase in revenue primarily driven by an increased occupancy rate and average room rate. Profit before tax for the year is £1,560,000 (2018: £38,685,000) decreased on last year primarily due to the partial compensation award of £27,523,000 following the closure of Euston by a CPO and an impairment of property, plant and equipment predominantly relating to Luton and Swindon hotels.

The net asset position of the Group has improved slightly to £175.8m (2018: £175.7m).

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

KPIs: Movement vs. prior year

	Year ended 30 June 2019 %	Year ended 30 June 2018 %
Occupancy	4.1	(0.8)
Average room rate (ARR)	3.6	(4.1)
Revenue per available room (RevPAR)	7.7	(5.0)

Strategic Report (continued)

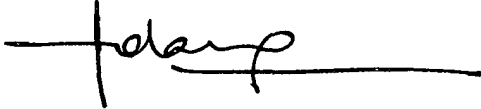
Principal risks and uncertainties

Principal Risks	Mitigating Activities
<p>Brand reputation</p> <p>(1) The Company is reliant upon the reputation of the GLH Hotels Holdings Group ('the Group') brands. Any event that materially damages the reputation of one or more of the Group's brands and/or failure to sustain the appeal of the Group's brands to its customers may have an adverse impact on subsequent revenues from that brand or related operation.</p> <p>(2) The Group is also reliant upon the reputation of the Hard Rock International and Hard Rock Cafe ("Hard Rock") brands. Any event that materially damages the reputation of one or more of these brands and/or failure to sustain the appeal of these brands to its customers may have an adverse impact on subsequent revenues from that brand or related operation.</p>	<p>(1) Each of the brands in our portfolio are designed to meet specific guest needs. The consistency of our brands is managed through the brand standard requirements. We continually review ways to increase awareness and loyalty towards our brands.</p> <p>We are committed to conducting business in a responsible manner. We have put in place a set of internal policies and procedures, which are supported by training, monitoring and reporting.</p> <p>(2) Hard Rock have stipulated brand standards to be applied by all of their operations worldwide to ensure that the brand image and consistency is maintained. We are required to comply with these standards also. With a portfolio of operations around the globe they are required to continually review ways to increase awareness and loyalty towards their brands and have mitigations processes in place should anything occur which may challenge a brand.</p> <p>We also have a legal ability to walk away from the hotel franchise agreement should an event occur which meets certain criteria and means that we would prefer to operate the hotel under a different brand. However this would be seen as a last resort, and instead, we rely on robust governance and management of the relationships with Hard Rock to ensure that theirs and our best interests are served.</p>
<p>Political or economic uncertainty</p> <p>The Company and the Group are exposed to the risk of adverse political or economic developments. In particular, on 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further clarity is known regarding the terms in which the UK will exit, there is overall uncertainty on the impact for the Group. However, in terms of impact on revenue and profitability, the UK's exit has potential to impact in three primary ways:</p> <p>1) Changes in the GBP exchange rate may result in overseas travel to the UK being more or less attractive. To date, given the weakening of GBP relative to other major worldwide currencies, this has had a positive impact.</p> <p>2) UK domestic travel (both in terms of the corporate and leisure markets) may be impacted by overall economic growth predictions, and overall confidence.</p> <p>3) Should it become more difficult to visit the UK if legislation were to restrict movement into the country there would be an obvious impact on overseas demand.</p> <p>In terms of the Group's cost base, the largest impact is on our workforce. Similar to nearly all other business concentrated in London hospitality, our current workforce contains a diverse mix of nationalities. Whilst the wider impact of the UK's exit from the EU remains far from certain, any legislation that restricts freedom of movement of labour is likely to adversely impact both the availability and cost of labour.</p> <p>A negative impact on the Group's revenue and profitability will also have a direct impact on the valuation of property, plant and equipment, recoverability of company's investment in subsidiaries and other areas that depend on forecasts.</p>	<p>The Group operates a diverse range of brands, with hotels in the 3, 4 and 5 star markets. These brands have been designed to have international appeal, and the customer base is not concentrated in any specific geographical region. Although there may be a short period of hesitation with respect of tourism in the UK, we expect this not to have a significant impact on the Group's operations due to the reasons mentioned above.</p> <p>The Group retains a proactive focus on costs and in the event of a down-turn this enhanced competitiveness allows us to protect our margins.</p> <p>The Group's Procurement team has a specific Brexit risk mitigation plan in place. Contingency plans for the Group's supply chain include:</p> <ul style="list-style-type: none"> - Joint business plans with key suppliers, to mitigate risks caused by currency fluctuations and potential changes in import procedures, - Implementation of risk management procedures including contingency planning; and - Where there is a potential risk of increased costs in the supply chain due to a shortage of raw and/or manpower, price fixes/ price caps are being negotiated. - For high risk products, alternative suppliers and products are being identified and alternative menus developed for high risk products to ensure business continuity. <p>The Group constantly reviews its approach to being a compelling employer choice for UK nationals and overseas nationals alike. This includes focusing on creating a great place to work, career development opportunities, employee engagement as well as competitive compensation and benefits.</p>
<p>Events affecting international travel</p> <p>Given the international customer base, the Company is exposed to the risk of significant events impacting international travel (such as acts of terrorism and outbreaks of disease).</p>	<p>The Group retains a proactive focus on costs and in the event of a down-turn this enhanced competitiveness allows us to protect our margins.</p>
<p>Treasury risk</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</p>

	instruments and hedging instruments are overseen by the GL Limited (Note 28)
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Strategic Report *(continued)*

Signed:



Kah Meng Ho
Director
4 May 2020

Directors' Report

The directors present their Directors' Report and financial statements for the year ended 30 June 2019.

Result and dividends

The results for the year ended 30 June 2019 are set out in the Consolidated Statement of Profit and Loss and Other Comprehensive Income on page 9. Profit after tax for the year was £4,270,000 (2018: £30,120,000).

The directors have not proposed a dividend in the current financial year (2018: £nil).

Directors & directors' interests

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

Kah Meng Ho
Susan Lim Geok Mul
Neil Gallagher (Resigned 9 August 2019)
Alan Morgan (Appointed 9 August 2019)

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

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

Going concern

After making due enquiries, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, there are circumstances, as detailed on page 13, that represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Financial Risk

The Group's policy and objectives related to financial risk management, including the policy for hedging, is considered in Note 18 to the financial statements. This also considers the position in relation to credit risk, liquidity risk and cashflow risk.

Employee matters

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

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

Charitable Donations and Political contributions

The Company made no charitable donations or incurred any political expenditure during the year (2018: £nil).

Directors' Report (continued)

Risk Management & Internal Controls

The Board recognises the importance of a sound system of internal controls to safeguard shareholders' interests and investments and the Group's assets, and to manage risks. The Board determines the Group's risk profile and oversees the formulation, implementation and monitoring of the Group's internal controls. Management articulates the Group's risk policies by identifying significant risks which might impact the Group's business. The Group maintains a Risk Register which is reviewed periodically by the Board and Management of GL Limited, parent of the Company. A risk rating system has been established to identify the tolerance level for the various identified risks and to determine the likelihood of incidence of such risks. Guidelines and strategies for the mitigation of such risks are set out in the Risk Register. The Board ensures the effective implementation and monitoring of internal controls by Management and the Internal Audit Department. The Internal Audit Department reports directly to the Board. The Internal Audit Department adheres to an audit plan approved by the Board in reviewing and testing the adequacy and effectiveness of the Group's internal controls. On an annual basis, an Internal Audit and Risk Assurance Report is presented to the Board on significant risks and risk exposures impacting the Group's key businesses and the measures taken by Management to address them. The Board recognises that no system of control will provide absolute assurance against material misstatement or loss. However, based on reviews carried out by the Internal Audit Department and Management, the Board is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems, are adequate and effective. On 3 March 2020, the Board received assurance from Mr Alan Morgan and Gavin Taylor, who are the Chief Executive Officer and Chief Financial Officer respectively of the Company, that:

- The financial records of the Company have been properly maintained and the financial statements for FY2019 give a true and fair view of the Company's operations and finances; and
- The Company's system of risk management and internal controls is effective in addressing the material risks in its current business environment including financial, operational, compliance and information technology risks.

Disclosure of information to auditor

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

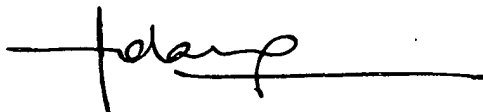
Other Information

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

Auditor

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

By order of the board



Kah Meng Ho
Director
4 May 2020

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

The directors are responsible for preparing the Annual Report and the Group and parent Company 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

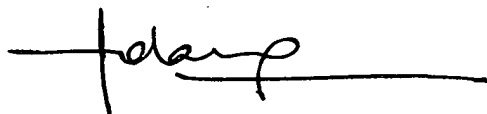
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

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



Kah Meng Ho
Director
4 May 2020



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLH HOTELS HOLDINGS LIMITED

Opinion

We have audited the financial statements of GLH Hotels Holdings Limited ("the company") for the year ended 30 June 2019 which comprise the consolidated statement of profit and loss and other comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Materiality uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates the significant impact of a severe but plausible downside scenario of COVID-19 on the group's cash flows, and in such a scenario, the group's ability to continue as a going concern is dependent on availability of uncommitted facilities from its external lender and financial support from GL Limited. These events and conditions, along with the other matters described in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLH HOTELS HOLDINGS LIMITED (CONTINUED)

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Chrissy Douka (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
E14 5GL
4 May 2020

**Consolidated statement of profit and loss and other comprehensive income
for the year ended 30 June 2019**

		Year ended 30 June 2019	Year ended 30 June 2018
	Note	£000's	£000's
Revenue	3	244,963	234,593
Financial Income	6	462	164
Depreciation and Amortisation	4	(12,038)	(11,596)
Management fees	24	(26,618)	(27,059)
Property rent	4	(41,796)	(37,906)
Employee Benefits expense	5	(47,972)	(45,657)
Finance costs	7	(16,846)	(17,062)
Professional Fees		(2,015)	(2,029)
Direct expenses		(19,713)	(12,421)
Property management cost		(25,483)	(24,068)
Rooms commissions		(16,331)	(17,977)
Food and beverage cost of sales		(9,365)	(9,182)
Maintenance and service costs		(5,167)	(4,693)
Profit on Disposal through Compulsory Purchase Order	8	-	20,811
Loss on Disposal of Fixed Assets	8	(1,433)	-
Impairment of Fixed Assets	4	(9,259)	-
Rental Costs		(1,793)	(2,055)
Other costs		(8,036)	(5,178)
Profit before tax		1,560	38,685
Taxation credit/(charge)	9	2,710	(8,565)
Profit for the year		4,270	30,120
Profit for the year attributable to:			
Equity Holders of the Parent		4,271	30,191
Non-controlling interest		(1)	(71)
Profit for the year		4,270	30,120
Other comprehensive income			
<u>Items that will not be reclassified to Profit or Loss</u>			
Actuarial (losses)/gains on defined benefit pension plans	23	(5,897)	5,120
Deferred tax credit/(charge) on other comprehensive income	9	530	(887)
Current tax charge on other comprehensive income	9	529	-
<u>Items that are or may be reclassified subsequently to profit or loss</u>			
Change in fair value on cashflow hedge	16	564	2,997
Deferred tax charge on change in fair value on cash flow hedge	9	(136)	(509)
Total comprehensive income for the year		(140)	36,841
Total Comprehensive income for the year attributable to:			
Equity Holders of the Parent		(139)	36,912
Non-controlling interest		(1)	(71)
Total comprehensive income for the year		(140)	36,841

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

The accompanying notes on pages 13 to 38 form an integral part of these financial statements.

**Consolidated and company statement of financial position
for the year ended 30 June 2019**

		Group		Company	
	Note	30 June 2019	30 June 2018	30 June 2019	30 June 2018
		£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	640,926	630,497	-	-
Investment in subsidiaries	11	-	-	378,716	378,716
Pension benefit surplus	23	5,599	8,644	-	-
Total non-current assets		646,525	639,141	378,716	378,716
Current assets					
Inventories	12	1,006	341	-	-
Trade and other receivables	13	24,942	17,131	-	-
Cash and cash equivalents		19,744	53,103	-	-
Total current assets		45,692	70,575	-	-
Total assets		692,217	709,716	378,716	378,716
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	19	37,000	37,000	37,000	37,000
Share premium	20	10,794	10,794	10,794	10,794
Hedging reserve	21	(2,026)	(2,691)	-	-
Retained earnings	22	132,058	132,625	(67,968)	(57,359)
		177,826	177,728	(20,174)	(9,565)
Non-Controlling interest	22	(1,983)	(1,982)	-	-
Total equity		175,843	175,746	(20,174)	(9,565)
Non-current liabilities					
Borrowings	15	165,398	194,279	-	-
Deferred tax	17	13,021	14,399	-	-
Derivative financial instrument	16	2,658	3,243	-	-
Total non-current liabilities		181,077	211,921	-	-
Current liabilities					
Trade and other payables	14	335,297	322,049	398,890	388,281
Total current liabilities		335,297	322,049	398,890	388,281
Total liabilities		516,374	533,970	398,890	388,281
Total equity and liabilities		692,217	709,716	378,716	378,716

The accompanying notes on pages 13 to 38 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 4 May 2020 and were signed on its behalf by:



Kah Meng Ho
Director
4 May 2020

**Consolidated statement of changes in equity
for the year ended 30 June 2019**

	Share Capital	Share Premium	Hedging Reserve	Retained Earnings	Non- Controlling Interests	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 30 June 2017	37,000	-	(5,179)	98,201	(1,911)	128,111
Total Comprehensive Income for						
Profit or loss	-	-	-	30,191	(71)	30,120
Other Comprehensive income	-	-	2,997	5,120	-	8,117
Deferred Tax on other comprehensive income	-	-	(509)	(887)	-	(1,396)
Share issue	-	10,794	-	-	-	10,794
Balance at 30 June 2018	<u>37,000</u>	<u>10,794</u>	<u>(2,691)</u>	<u>132,625</u>	<u>(1,982)</u>	<u>175,746</u>
Total Comprehensive Income for						
Profit or loss	-	-	-	4,271	(1)	4,270
Change in FV of cashflow hedge reclassified to the P&L	-	-	237	-	-	237
Other Comprehensive income	-	-	564	(5,897)	-	(5,333)
Deferred tax on other comprehensive income	-	-	(136)	530	-	394
Current tax on other comprehensive income	-	-	-	529	-	529
Balance at 30 June 2019	<u>37,000</u>	<u>10,794</u>	<u>(2,026)</u>	<u>132,058</u>	<u>(1,983)</u>	<u>175,843</u>

**Company statement of changes in equity
for the year ended 30 June 2019**

	Share Capital	Share Premium	Retained Earnings	Total
	£000's	£000's	£000's	£000's
Balance at 30 June 2017	37,000	-	(51,407)	(14,407)
Total Comprehensive Income				
Profit or loss	-	-	(5,952)	(5,952)
Share Issue	-	10,794	-	10,794
Balance at 30 June 2018	<u>37,000</u>	<u>10,794</u>	<u>(57,359)</u>	<u>(9,565)</u>
Total Comprehensive Income				
Profit or loss	-	-	(10,609)	(10,609)
Balance at 30 June 2019	<u>37,000</u>	<u>10,794</u>	<u>(67,968)</u>	<u>(20,174)</u>

The accompanying notes on pages 13 to 38 form an integral part of these financial statements.

**Consolidated and company statement of cash flows
for the year ended 30 June 2019**

	Group		Company	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Profit/(loss) for the financial year from continuing activities	4,270	30,120	(10,609)	(5,952)
Adjustments for:				
Taxation	(2,710)	8,565	-	-
Finance Costs	16,846	17,062	-	-
Finance Income	(462)	(164)	10,602	10,188
Impairment of fixed assets	9,259	-	-	-
Depreciation & Amortisation	12,038	11,596	-	-
Pension fund payments in excess of P&L charge	(3,130)	(3,073)	-	-
Amortisation of Debenture fees	701	525	-	-
Loss on disposal of fixed assets	1,433	73	-	-
Dividends received	-	-	-	(4,247)
Changes in working capital:				
(Increase) / Decrease in inventories	(665)	68	-	-
(Increase) / Decrease in trade & other receivables	(7,774)	28,761	-	-
Increase/(Decrease) in trade & other payables	10,388	(32,539)	7	11
Cash generated from operating activities	40,194	60,994	-	-
Interest Paid	(8,794)	(9,377)	-	-
Tax Paid	(2,542)	(3,863)	-	-
Net Cash generated from operating activities	28,858	47,754	-	-
Cash flows from investing activities				
Purchase of property, plant and equipment	(33,159)	(22,815)	-	-
Interest Received	169	93	-	-
Repayment of loans	(28,000)	-	-	-
Loan Fees	(1,227)	-	-	-
Net cash (used in)/ generated from investing activities	(62,217)	(22,722)	-	-
Net (decrease)/increase in cash and cash equivalents	(33,359)	25,032	-	-
Cash and cash equivalent at the start of the year	53,103	28,071	-	-
Cash and cash equivalents at the end of the year	19,744	53,103	-	-
Changes in working capital includes the following non-cash adjustments:				
Share Issue	-	10,794	-	(10,794)
Investment in Subsidiary	-	-	-	10,794
Dividends Received	-	-	-	4,247

The accompanying notes on pages 13 to 38 form an integral part of these financial statements.

Notes to the financial statements

1 – Accounting policies

(A) Basis of preparation

GLH Hotels Holdings Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 4560805 and the registered address is 110 Central Street, London, EC1V 8AJ.

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

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with IFRS; these are presented on pages 10 to 39.

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 group financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

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

Going Concern

Notwithstanding consolidated net current liabilities of £135.4m as at 30 June 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow and covenant compliance forecasts for the Group for the period to 30 June 2021, including reasonably possible downside scenarios. All these forecasts are dependent on the Company's parent company, GLH Hotels Group Limited, not seeking repayment of the amounts currently due from the Company, which at 30 June 2019 amounted to £289.3m. GLH Hotels Group Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. At the date of approval of these financial statements, the Directors of the Company acknowledge while this support is not legally binding, they have no reason to believe that the parent entity will not continue to provide this financial support.

As at 30 June 2019, the group was financed by a combination of an unsecured bank loan of £110m with an external lender, £55.2m of debentures and cash of £19.7m. The group also has a £62m of uncommitted, unsecured facility which, at the date of approval of these financial statements, had not been drawn down. The bank loan includes three financial covenants and a waiver has been obtained by the trading group directors from the external lender for the interest service cover ratio financial covenant for the 30 June 2020 testing.

The directors have separately considered the uncertainty as to the future impact of COVID-19 on the cash flow forecasts. At the date of the approval of the financial statements, all hotels within the group have been temporarily closed as a result of COVID-19. In the specific severe but plausible downside scenario considered in relation to COVID-19, it has been assumed that the group will generate no revenue for six months after the date of approval of these financial statements, with a gradual return to business as usual in March 2021, variable costs will follow the same trend as revenue and fixed costs will continue to be incurred as normal. This forecast has only included government support that has been substantively enacted at the date of approval of these financial statements, such as the business rates holiday, and mitigating actions under the control of the trading group directors, including the deferral of substantially all non-essential capital expenditure and future dividend payments. Capital expenditure considered essential in nature has been included in the forecast. This specific downside cash flow forecast indicates that the group is expected, over the cash flow forecast period, to have a cash shortfall up to £62m, before consideration of its uncommitted facilities of £62m. The directors have also considered further government assistance from the Coronavirus Job Retention Scheme that could be used to cover a proportion of salaries for a three month period between April 2020 and June 2020, which could result in a reduction of the cash shortfall by £5.1m, however this has not been included in the forecast due to the uncertainty over the timing of receiving the cash.

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

- the group's uncommitted bank facility of £62m, which was unutilised at the date of approval of these financial statements; and,
- through additional funding through the period from the intermediate parent, GL Limited. GL Limited has indicated its intention to continue to make available such funds are needed by the trading group through the forecast period. It is expected GL Limited would provide this support using available cash and/or uncommitted facilities available to it.

With respect to both the facilities available to the group and the intermediate parent, the uncommitted funding amount is significant compared to the total expected funding need and there can be no certainty that the uncommitted funding will be available in sufficient amounts and at the appropriate times to allow the trading group to meet its liabilities as they fall due.

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

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(B) Changes in accounting policies

The Group has applied the following IFRSs, amendments to and interpretations of IFRS for the first time for the annual period beginning on 1 July 2018:

- IFRS 15 *Revenue from Contracts with Customers*;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (Amendments to IFRS 15);
- IFRS 9 *Financial Instruments*;

The adoption of these IFRSs, amendments to standards and interpretations did not have a material effect on the Group's financial statements and the Company's statement of financial position.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method to contracts that are not completed contracts at the date of initial application (i.e. 1 July 2018), with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations, as applicable. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The Group has also applied the practical expedient not to retrospectively restate contracts for contract modifications that occurred before the date of initial application. Instead, the Group has reflected the aggregate effect of all modifications that occurred before the date of initial application when:

- identifying the satisfied and unsatisfied performance obligations ("PO");
- determining the transaction price; and
- allocating the transaction price to the satisfied and unsatisfied PO.

The Group's room, food and beverage and meeting and events revenues are recognised when the rooms are occupied and the services are performed. Management fees include a percentage of hotel revenue and profit and is recognised when earned and realised under the terms of the agreement.

This is considered to be consistent with the requirements of IFRS 15 and as such they have assessed that the new standard IFRS 15 has no material impact on the accounting and / or financial statements.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss ("ECL") model and a new general hedge accounting model. The Group adopted IFRS 9 from 1 July 2018.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the consolidated income statement due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied by the Group retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
 - The determination of the business model within which a financial asset is held; and
 - The designation of certain investments in equity instruments not held for trading as at fair value through other comprehensive income ("FVOCI").
- Changes to hedge accounting policies have been applied prospectively.
- All hedging relationships designated under IAS 39 at 30 June 2018 met the criteria for hedge accounting under IFRS 9 at 1 July 2018 and are therefore regarded as continuing hedging relationships.

The transition to IFRS 9 did not have any impact on the opening balance of other reserves, retained earnings and non-controlling interests ("NCI").

The impact upon adoption of IFRS 9, including the corresponding tax effects, is described below.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(B) Changes in accounting policies (continued)

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see below).

For an explanation of how the Group and Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see below.

Group As at 1 July 2018

	Note	Original classification under IAS 39 £000's	New classification under IFRS 9 £000's	Original carrying amount under IAS 39 £000's	New carrying amount under IFRS 9 £000's
Financial assets					
Trade and other receivables	13	Loans and receivables	Amortised cost	14,867 ¹	14,867 ¹
Cash and cash equivalents		Loans and receivables	Amortised cost	53,103	53,103
Total financial assets				67,970	67,970
Financial liabilities					
Trade and other payables	14	Amortised cost	Amortised cost	322,049	322,049
Total financial liabilities				322,049	322,049

Company As at 1 July 2018

	Note	Original classification under IAS 39 £000's	New classification under IFRS 9 £000's	Original carrying amount under IAS 39 £000's	New carrying amount under IFRS 9 £000's
Financial assets					
Trade and other receivables	13	Loans and receivables	Amortised cost	-	-
Cash and cash equivalents		Loans and receivables	Amortised cost	-	-
Total financial assets				-	-
Financial liabilities					
Trade and other payables	14	Amortised cost	Amortised cost	388,281	388,281
Total financial liabilities				388,281	388,281

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under IFRS 9 does not affect the carrying amount of intra-group financial guarantee contracts at 1 July 2018 as the amount initially recognised less the cumulative amount of income recognised in accordance with IFRS 15 is higher than the estimated ECL amount.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group and the Company have determined that the application of IFRS 9's impairment requirements at 1 July 2018 results in an additional allowance for impairment that is immaterial.

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

Additional information about how the Group and the Company measure the allowance for impairment is disclosed below.

(iii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses interest rate swaps contracts to hedge the variability in cash flows arising from changes in interest rates relating to borrowings. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity. For an explanation of how the Group applies hedge accounting under IFRS 9, see paragraph "O" below.

(C) 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 impact upon the Group and Company have not been early adopted:

		Effective for accounting periods Starting on or after
IFRS 16	Leases	1 January 2019

¹ Excludes prepayments

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(C) Future changes to accounting standards (continued)

Potential impact on IFRS 16 leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing lease accounting guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply IFRS 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply IFRS 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group as lessee

The Group expects to measure lease liabilities by applying different discount rates to their portfolio of hotels and office leases. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 July 2019. However, the Group is still assessing the appropriate implementation approach for adopting IFRS 16. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

As at 1 July 2019, the Group expects an increase in ROU assets of £603.9m and an increase in lease liabilities of £603.9m. The nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

(D) Measurement convention

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

(E) 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.

(F) Joint Arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangement 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.

(G) Associates

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

(H) 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 are carried at cost less impairment.

(I) Property, plant and equipment

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

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

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

Notes to the financial statements (continued)

1 – Accounting policies (continued)

The principal expected useful economic lives are:

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

Repairs and maintenance costs are expensed as incurred.

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

(J) Operating lease payments

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

(K) 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.

(L) Inventories

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

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

(M) Classification of financial instruments

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

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

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

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

(N) Classification of non-derivative financial instruments

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

Interest-bearing borrowings

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Investments in debt and equity securities

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

(O) 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

Notes to the financial statements (continued)

1 – Accounting policies (continued)

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.

(P) Cash flow hedge

Policy applicable from 1 July 2018

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

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

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

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

Policy applicable before 1 July 2018

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.

(Q) Impairment of non-derivative financial assets

Policy applicable from 1 July 2018

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

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

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

Simplified approach

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

General approach

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

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

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

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

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

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

Measurement of ECLs

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

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(Q) Impairment of non-derivative financial assets (continued)

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

Policy applicable before 1 July 2018

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.

(R) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, 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.

(S) Revenue

Revenue from hotel operations is recognised in the profit or loss on an accrual basis, upon services being rendered which include rooms revenue. Revenue from hotel operations includes income earned from sales of food and beverages, meetings and events income, shop merchandise sales and other miscellaneous income. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. All revenue is excluding VAT and is generated in the UK.

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(T) Taxation

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

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

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

(U) Financing income and costs

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

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

(V) Foreign currency

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

(W) 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.

(X) Defined benefit pension schemes

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

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

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

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

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

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

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(Y) Retirement benefit costs

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

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

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

2 - Operating Segments

The Group operates the following brands: Guoman, Amba, Thistle, Thistle Express and Hard Rock. All hotels are operated in or around the London area and there is no one customer that represents a material proportion of the Group's total revenues. The "Every" sub-brand, categorised below under "Thistle, Thistle Express" was retired in May 2018.

The Cumberland Hotel (London) Limited is the only hotel operating under the Hard Rock brand (previously under Guoman). This hotel was re-branded under the Hard Rock brand on 30 April 2019. Thus, 2 months operating results for this hotel are classified under Hard Rock and 10 months operating results under Guoman. The balance sheet as at 30 June 2019 is classified under the Hard Rock segment (2018: Guoman).

Profit and loss statement for the year ended 30 June 2019

	Guoman £000's	Amba £000's	Thistle, Thistle Express £000's	Hard Rock £000's	Central £000's	Total £000's
Revenue	117,948	67,550	53,843	5,622	-	244,963
Depreciation	(4,298)	(4,377)	(3,055)	(308)	-	(12,038)
Management Fees	(12,058)	(7,568)	(5,564)	(677)	(751)	(26,618)
Property Rent	(23,995)	(217)	(14,525)	(3,059)	-	(41,796)
Employee Benefit	(23,970)	(10,587)	(11,607)	(1,834)	26	(47,972)
Finance (costs)/income	(779)	463	(48)	(373)	(15,647)	(16,384)
Other Costs	(47,014)	(19,719)	(26,880)	(3,208)	(1,774)	(98,595)
Profit/(Loss) before tax	5,834	25,545	(7,836)	(3,837)	(18,146)	1,560
Tax	(2,521)	2,879	1,182	767	403	2,710
Profit/(Loss) for the year	3,313	28,424	(6,654)	(3,070)	(17,743)	4,270

Profit and loss statement for the year ended 30 June 2018

	Guoman £000's	Amba £000's	Every, Thistle, Thistle Express £000's	Central £000's	Total £000's
Revenue	117,553	61,199	54,576	1,265	234,593
Other Income	-	-	27,523	-	27,523
Depreciation	(4,238)	(4,713)	(2,718)	(73)	(11,596)
Management Fees	(12,584)	(6,916)	(5,614)	(1,945)	(27,059)
Property Rent	(26,168)	(227)	(11,376)	(135)	(37,906)
Employee Benefit Expense	(23,404)	(9,898)	(11,609)	(746)	(45,657)
Finance Costs/(Income)	790	302	(2,010)	(15,980)	(16,898)
Other Costs	(39,649)	(17,920)	(26,437)	(309)	(84,315)
Profit / (Loss) Before Tax	12,300	21,827	22,335	(17,777)	38,685
Tax	(1,976)	(2,136)	(3,882)	(571)	(8,565)
Profit / (Loss) for the year	10,324	19,691	18,453	(18,348)	30,120

Notes to the financial statements (continued)

2 – Operating Segments (continued)

Balance Sheet as at 30 June 2019

	Guoman £000's	Amba £000's	Thistle, Thistle Express £000's	Hard Rock £000's	Central £000's	Total £000's
Non-current assets						
Property, plant and equipment	311,630	243,047	39,430	46,819	-	640,926
Pension benefit surplus	-	-	-	-	5,599	5,599
Current assets						
Inventories	196	74	85	635	16	1,006
Trade and other receivables	65,161	88,202	41,455	8,067	(177,943)	24,942
Cash and cash equivalents	4,046	2,482	1,887	1,150	10,179	19,744
Non-current liabilities						
Borrowings	-	-	-	-	(165,398)	(165,398)
Deferred tax	(4,821)	(2,598)	(4,023)	(1,327)	(252)	(13,021)
Preference Shares	(30)	-	-	-	30	-
Derivative financial instrument	-	-	-	-	(2,658)	(2,658)
Current liabilities						
Trade and other payables	(18,958)	(17,699)	(25,372)	(70,356)	(202,912)	(335,297)
Net assets/ (liabilities)	357,224	313,508	53,462	(15,012)	(533,339)	175,843

Balance Sheet as at 30 June 2018

	Guoman £000's	Amba £000's	Thistle, Thistle Express £000's	Central £000's	Total £000's
Non-current assets					
Property, plant and equipment	336,117	246,685	47,542	153	630,497
Pension benefit surplus	-	-	-	8,644	8,644
Current assets					
Inventories	191	62	71	17	341
Trade and other receivables	48,382	57,387	43,169	(131,807)	17,131
Cash and cash equivalents	3,258	1,933	1,584	46,328	53,103
Non-current liabilities					
Borrowings	-	-	-	(194,279)	(194,279)
Deferred tax	(4,879)	(3,642)	(5,267)	(611)	(14,399)
Preference Shares	30	-	-	(30)	-
Derivative financial instrument	-	-	-	(3,243)	(3,243)
Current liabilities					
Trade and other payables	(42,940)	(15,509)	(31,262)	(232,388)	(322,049)
Net assets/ (liabilities)	340,159	286,916	55,837	(507,166)	175,746

Notes to the financial statements (continued)

3 – Revenue

Revenue consists of the following revenue streams:

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Rooms revenue	198,776	187,713
Food and beverage	23,627	23,142
Meetings and events	16,918	17,812
Other	5,642	5,926
	244,963	234,593

4 - Expenses and Auditor's Remuneration

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
The Group's profit before tax is stated after charging:		
Amounts payable to auditor:		
Audit of these financial statements	11	11
Audit of financial statements of subsidiaries	265	134
Pension Scheme audit – defined benefit scheme	13	17
Audit-related assurance services	10	5
Depreciation of fixed assets	12,038	11,596
Impairment of fixed assets	9,259	-
Equipment rentals payable under operating leases	607	790
Property rentals payable under operating leases	41,796	37,906

5 - Employee, Directors and Key Management Information

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Employee costs during the period:		
Agency wages	16,437	14,945
Employee wages and salaries	28,534	27,830
Employer's social security costs	2,361	2,339
Employer's pension costs	640	543
	47,972	45,657

Average monthly staff employed:		
Hotel Operating Staff (excluding agency)	1,510	1,600

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

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

The directors are remunerated for their services to the group as a whole which is disclosed in the financial statements of GLH Hotels Management (UK) Limited and GL Limited. An amount of £170,000 (2018: £184,000) has been apportioned to the Group based on the services performed by directors for the individual undertakings within the Group.

6 – Finance income

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Bank interest receivable	169	93
Other finance income	-	23
Net income on retirement benefit obligations	293	48
	462	164

Notes to the financial statements (continued)

7 – Finance Costs

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Bank overdraft and facility fees	-	123
Debenture Stock and loan interest	9,451	9,832
Amortisation of fair value adjustment on debentures	(355)	(355)
Interest paid to related parties	7,750	7,462
	<u>16,846</u>	<u>17,062</u>

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

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Profit from Disposal through Compulsory Purchase Order	-	20,811
Other loss on disposal	(1,433)	-
	<u>(1,433)</u>	<u>20,811</u>

Disposals in the current year related to the disposal of assets in The Cumberland Hotel (London) Limited. On 23 February 2017, Royal Assent was given to the HS2 rail line and the Government issued a Compulsory Purchase Order ("CPO"), with the Euston hotel closing on 4 October 2017. In 2018 the Group received and recognised partial compensation of £27.5m with final compensation negotiations ongoing. £6.7m represents impairment of the assets held by Euston Hotel at the date of the CPO.

9 - Taxation

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
<i>Recognised in the Income Statement</i>		
UK Corporation tax		
Current tax on profits for the year	4,850	5,730
Adjustments in respect of previous years	(6,576)	(424)
Current tax (credit)/charge	<u>(1,726)</u>	<u>5,306</u>
Deferred taxation		
Current year tax (credit)/charge	(1,416)	4,462
Adjustments in respect of previous years	280	(1,163)
Effect of changes in tax rates	152	(40)
Deferred tax charge/(credit) recognised in statement of income	<u>(984)</u>	<u>3,259</u>
Actual Tax (credit)/charge recognised in the Income statement	<u>(2,710)</u>	<u>8,565</u>
<i>Recognised in Other Comprehensive Income</i>		
Deferred tax on pension surplus	(452)	870
Deferred tax on pension deficit-prior year	(78)	17
Deferred tax (credit)/charge on other comprehensive income	<u>(530)</u>	<u>887</u>
Current tax on pension deficit	(529)	-
Current tax (credit)/charge on other comprehensive income	<u>(529)</u>	<u>-</u>
Deferred tax on interest rate swap	136	509
Deferred tax charge on other comprehensive income	<u>136</u>	<u>509</u>
Actual tax (credit)/charge recognised in other comprehensive income	<u>(923)</u>	<u>1,396</u>

Notes to the financial statements (continued)

9 - Taxation (continued)

Reconciliation of Effective tax rate	%	Year ended 30 June 2019 £000's	%	Year ended 30 June 2018 £000's
Profit before tax for the year	100.0	1,560	100.0	38,685
Expected tax charge at 19.0% (2018: 19.0%)	19.0	296	19.0	7,350
Adjustments in respect of previous years	(403.6)	(6,296)	(4.1)	(1,587)
Items not subject to tax or deductible for tax purposes	17.3	270	2.7	1,038
Income not taxable	-	-	(1.8)	(681)
Tax rate changes	9.7	152	(0.1)	(40)
Group relief payable for nil consideration	-	-	0.6	239
Amounts not recognised	183.8	2,868	4.6	1,783
Reduction in deferred tax liability as a result of indexation on the base cost of the asset	-	-	1.2	463
Actual tax (credit)/charge	(173.8)	(2,710)	22.1	8,565

A reduction to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 30 June 2019 has been calculated based on these rates.

10 - Property, plant and equipment

As at 30 June 2019 - Group

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

As at 30 June 2018 - Group

	Land and buildings	Fit out costs, plant and equipment	Total
	£000's	£000's	£000's
Cost			
At the beginning of the year	613,196	211,099	824,295
Additions	12,023	10,792	22,815
Disposals	-	(275)	(275)
At the end of the year	625,219	221,616	846,835
Depreciation			
At the beginning of the year	61,159	143,785	204,944
Charge for the year	5,474	6,122	11,596
Disposals	-	(202)	(202)
At the end of the year	66,633	149,705	216,338
Net book value			
As at 30 June 2018	558,586	71,911	630,497

Notes to the financial statements (continued)

10 - Property, plant and equipment (continued)

One property (2018: one) with aggregate carrying value of £91,255,000 (2018: £89,135,000) is charged as security for the Group's debenture borrowing facilities.

At 30 June 2019, the Group's properties were assessed for indications of impairment.

The recoverable amounts of the properties are determined from value in use calculations or fair value less costs to sell. In the value in use calculations the key assumptions used are in relation to discount and growth rates. Growth rates incorporate occupancy, room rate, volume and direct cost changes. Management used a pre-tax discount factor of 9.81% (2018: 9.5%) over the forecast period. As a result, an impairment was recorded predominantly in relation to the Luton and Swindon hotels, as noted in the Strategic Report on page 1.

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

Disposals during the year related to the disposal of assets in The Cumberland Hotel (London) Limited.

When performing the impairment review the relevant growth rates included were specific to each operating site. The average revenue growth rate across the portfolio is noted below. The average growth rate excludes properties that were under refurbishment in the current year. Including the expected growth rates for such hotels would overstate the average growth rate.

	Year ended June 2020	Years ended June 2021
	£000's	Onwards £000's
Average revenue portfolio	9%	3%

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

11 - Investment in subsidiaries – Company

As at 30 June 2019

	£000's
Cost	
At the beginning and end of the financial year	378,716
Impairment	
At the beginning and end of the financial year	-
Net book value as at 30 June 2019	378,716

As at 30 June 2018

	£000's
Cost	
At the beginning of the financial year	367,922
Additions	10,794
At the end of the financial year	378,716
Net book value as at 30 June 2018	378,716

The Company holds 100% of the ordinary shares in GLH Hotels Limited. During the prior year, the Company acquired one additional share in GLH Hotels Limited for a consideration of £10,794,000, which remains unpaid at the end of the year.

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

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

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

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

Notes to the financial statements (continued)

12 - Inventories-Group

	Food Inventory £000's	Beverage Inventory £000's	Retail Inventory £000's	Total £000's
As at 30 June 2019				
Cost				
At the beginning of the year	191	150	-	341
Purchases	7,151	2,012	867	10,030
Utilised during the year	(7,124)	(1,885)	(356)	(9,365)
At the end of the year	<u>218</u>	<u>277</u>	<u>511</u>	<u>1,006</u>

As at 30 June 2018

Cost				
At the beginning of the year	217	192	-	409
Purchases	7,302	1,812	-	9,114
Utilised during the year	(7,328)	(1,854)	-	(9,182)
At the end of the year	<u>191</u>	<u>150</u>	<u>-</u>	<u>341</u>

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

Company

The company did not hold any inventory (2018: £nil).

13 - Trade and other receivables

	Group		Company	
	30 June 2019 £'000	30 June 2018 £'000	30 June 2019 £'000	30 June 2018 £'000
Current Assets				
Trade receivables	9,903	11,908	-	-
Provision for bad debt	(839)	(258)	-	-
Net trade receivables	<u>9,064</u>	<u>11,650</u>	<u>-</u>	<u>-</u>
Amounts owed by related parties	1,510	199	-	-
Other receivables	2,660	3,018	-	-
Prepayments	8,348	2,264	-	-
Accrued income	1,960	-	-	-
Corporation Tax	1,400	-	-	-
	<u>24,942</u>	<u>17,131</u>	<u>-</u>	<u>-</u>

Trade receivables that are not impaired

	Group		Company	
	30 June 2019 £'000	30 June 2018 £'000	30 June 2019 £'000	30 June 2018 £'000
Neither past due nor impaired	2,655	6,462	-	-
Less than 1 month past due	3,824	3,305	-	-
1 to 3 months past due	1,882	1,744	-	-
Greater than 3 months past due	703	139	-	-
	<u>9,064</u>	<u>11,650</u>	<u>-</u>	<u>-</u>

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

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

Notes to the financial statements (continued)

13 - Trade and other receivables (continued)

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

*It was deemed more appropriate to disclose accrued income separately. Accrued income was previously disclosed under trade receivables. The prior year amount was £1.94m.

14 - Trade and other payables

	Group		Company	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	£'000	£'000	£'000	£'000
Current liabilities				
Trade payables	5,956	6,829	-	-
Other taxation and social security	7,064	6,229	-	-
Other payables	19,324	16,239	5	22
Amounts owed to subsidiaries	-	-	109,578	108,923
Amounts owed to parent companies of the group	289,305	279,336	289,305	279,336
Amounts owed to related parties	6,235	7,060	-	-
Accruals	7,413	2,824	-	-
Corporation Tax	-	3,532	2	-
	335,297	322,049	398,890	388,281

15 - Borrowings

	Group	
	30 June 2019	30 June 2018
	£'000	£'000
Non-current		
Unsecured bank loan	108,730	137,298
7.875% fixed rate debenture stock – repayable 2022	56,668	56,981
	165,398	194,279

The bank loan is an unsecured 5-year £200m facility maturing in December 2019, £138m of which was drawn-down as 30 June 2019 and has an interest rate of Libor plus 1.15%. During the current financial year, £28m of the loan was re-paid and the remaining £110m loan was refinanced with a revised interest rate of Libor plus 1.12% and maturity date of 30 September 2023. A loan amendment fee of £1,227,000 (2018: £nil) was also paid during the year. During the year, £702,000 (2018: £525,000) of loan fees were capitalised.

The fixed debenture stock is listed on the London Stock Exchange. The value of the debentures shown above includes a fair value uplift of £1,420,000 (2018: £1,775,000) 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.

16 - Derivative Financial Instrument

	Group	
	30 June 2019	30 June 2018
	£'000	£'000
Fair Value of interest rate swap liability	2,658	3,243
	2,658	3,243

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

An interest rate swap with total nominal value of GBP138.0m (2018: GBP138.0m) which requires the Group to pay a fixed interest of 2.47% until 15 June 2019 and 2.43% until 15 December 2019 (2018: 2.47%) and allows it to receive a variable rate equal to LIBOR on the notional amount. The interest rate swap has a 3-year tenor commencing from 16 December 2016 and is valued based on the swap model valuation approach using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve. As at 30 June 2019, £110.0m of the total nominal value of the interest rate swap was designated for hedge accounting following the partial repayment of bank loan of £28.0m during the year (see Note 15).

Notes to the financial statements (continued)

16 - Derivative Financial Instrument (continued)

During the financial year, the Group made a partial repayment of the bank loan of £28.0m (2018: Nil) and concurrently entered into an interest rate swap with total nominal value of £28.0m (2018: Nil) to hedge the existing interest rate swap which may be exposed to interest rate volatility as a result of the loan repayment. The interest rate swap requires the Group to receive a fixed interest of 0.88% (2018: Nil) and to pay a variable rate equal to LIBOR on the notional amount. The interest rate swap has a 15 months tenor commencing from 16 September 2018 and is valued based on the swap model valuation approach using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve.

As result of extension of loan maturity date from 16 December 2019 to September 2023, two forward interest rate swaps with total nominal value of £75.0m (2018: Nil) and matching tenors to repayment due dates of the last two tranches of the loan (i.e. tenors of 33 months and 45 months) were entered into by the Group. These forward interest rate swaps require the Group to pay a fixed interest and receive a variable rate equal to LIBOR on the notional amount. The interest rate swaps are valued using valuation technique with market observable inputs. The valuation technique is swap model, using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve.

The Group's exposure to credit, liquidity, interest rate and foreign currency risks and fair value information related to derivative financial instruments are disclosed in Note 18.

17 - Deferred tax assets and liabilities

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

	30 June 2018	Recognised in profit and loss	Recognised in other comprehensive income	30 June 2019
	£'000	£'000	£'000	£'000
Group				
Liability/(Assets)				
Employee Benefits	1,469	13	(530)	952
Property	10,169	(1,830)	-	8,339
Losses	(404)	31	-	(373)
Gains	4,023	780	-	4,803
Interest Rate Swap	(552)	(36)	136	(452)
Provisions/unpaid Accruals	(5)	(2)	-	(7)
Other (FV)	(301)	60	-	(241)
	<u>14,399</u>	<u>(984)</u>	<u>(394)</u>	<u>13,021</u>

Notes to the financial statements (continued)

17 - Deferred tax assets and liabilities (continued)

	30 June 2017	Recognised in profit and loss	Recognised in other comprehensive income	30 June 2018
	£'000	£'000	£'000	£'000
Group				
Liability/(Assets)				
Employee Benefits	66	516	887	1,469
Property	11,562	(1,393)	-	10,169
Losses	(462)	58	-	(404)
Gains	-	4,023	-	4,023
Interest Rate Swap	(1,061)	-	509	(552)
Provisions/unpaid Accruals	-	(5)	-	(5)
Other (FV)	(361)	60	-	(301)
	<u>9,744</u>	<u>3,259</u>	<u>1,396</u>	<u>14,399</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 liabilities are recognised on the basis that they will be absorbed by forecast future taxable profits. As at 30 June 2019, the Group has temporary differences of £1,741,000 (2018: £5,017,000) (unprovided deferred tax asset in respect of unrealised capital losses) on which no deferred tax asset is recognised.

18 - 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 manages financial risk within its general risk management philosophy and framework.

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

b) Liquidity risk

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

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

Notes to the financial statements (continued)

18 - Financial instruments (continued)

As at 30 June 2019	Carrying amount	Total contractual undiscounted cashflow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	£000's	£000's	£000's	£000's	£000's	£000's
Group						
Non-derivative financial liabilities:						
Secure Debenture Stocks	56,668	68,458	4,360	4,360	59,738	-
Unsecured bank loans	108,730	116,804	2,106	16,875	97,823	-
Trade and Other payables	335,297	335,297	335,297	-	-	-
Derivative financial liabilities:						
Derivative financial instrument	2,658	2,597	1,272	452	873	-
	<u>503,353</u>	<u>523,156</u>	<u>343,035</u>	<u>21,687</u>	<u>158,434</u>	<u>-</u>
As at 30 June 2018	Carrying amount	Total contractual undiscounted cashflow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	£000's	£000's	£000's	£000's	£000's	£000's
Group						
Non-derivative financial liabilities:						
Secure Debenture Stocks	56,981	72,818	4,360	4,360	64,098	-
Unsecured bank loans	137,298	141,970	3,176	138,794	-	-
Trade and Other payables	322,049	322,049	322,049	-	-	-
Derivative financial liabilities:						
Derivative financial instrument	3,243	5,103	3,402	1,701	-	-
	<u>519,571</u>	<u>541,940</u>	<u>332,987</u>	<u>144,855</u>	<u>64,098</u>	<u>-</u>

c) Credit risk

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

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

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

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

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 2019, the Group has an interest rate swap classified as cash flow hedges with notional contractual amounts of £138m (2018: £138m) which requires them to pay a fixed interest rate of 2.47% until 15 June 2019 and 2.43% until 15 December 2019 (2018: 2.47%) and allows them to receive a variable rate equal to LIBOR on the notional amount.

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

Notes to the financial statements (continued)

18 - Financial instruments (continued)

e) Currency risk

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

f) Financial assets

The Group's financial assets as at 30 June 2019 comprised interest bearing cash balances of £19,744,000 (2018: £53,103,000) and receivables of £24,942,000 (2018: £17,131,000). There was no difference between the carrying value and the fair value of financial assets at 30 June 2019 (2018: no difference).

The Company's financial assets as at 30 June 2019 comprised interest bearing cash balances of £nil (2018: £nil), and receivables of £nil (2018: £nil). There was no difference between the carrying value and the fair value of financial assets at 30 June 2019 (2018: 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 2018 and 30 June 2019.

h) Fair value of financial instruments

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

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

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

Fair value of financial instruments Group- As at 30 June 2019

	Carrying amount £000's	Fair value £000's	Level 1 £000's	Level 2 £000's	Level 3 £000's
Loans and receivables					
Cash and cash equivalents	19,744	19,744	-	19,744	-
Trade receivables (note 13)	9,903	9,903	-	9,903	-
Other receivables ² (note 13)	4,620	4,620	-	4,620	-
Pension plan assets (note 23)					
Equities	51,689	51,689	-	51,689	-
Bonds	48,235	48,235	-	48,235	-
Cash	639	639	-	639	-
Total financial assets	134,830	134,830	-	134,830	-
Financial liabilities held for trading					
Interest Rate Swaps (note 16)	(2,658)	(2,658)	-	(2,658)	-
Financial liabilities					
Trade payables (note 14)	(5,956)	(5,956)	-	(5,956)	-
Other payables ³ (note 14)	(26,737)	(26,737)	-	(26,737)	-
Total financial liabilities	(35,351)	(35,351)	-	(35,351)	-
Total financial instruments	99,479	99,479	-	99,479	-

² Includes accrued income

³ Includes accruals

Notes to the financial statements (continued)

18 - Financial Instruments (continued)

Group- As at 30 June 2018	Carrying amount £000's	Fair value £000's	Level 1 £000's	Level 2 £000's	Level 3 £000's
Loans and receivables					
Cash and cash equivalents	53,103	53,103	-	53,103	-
Trade receivables (note 13)	11,908	11,908	-	11,908	-
Other receivables (note 13)	3,018	3,018	-	3,018	-
Pension plan assets (note 23)					
Equities	51,863	51,863	-	51,863	-
Bonds	46,012	46,012	-	46,012	-
Cash	169	169	-	169	-
Total financial assets	166,073	166,073	-	166,073	-
Financial liabilities held for trading					
Interest Rate Swaps (note 16)	(3,243)	(3,243)	-	(3,243)	-
Financial liabilities					
Trade payables (note 14)	(6,829)	(6,829)	-	(6,829)	-
Other payables (note 14)	(19,063)	(19,063)	-	(19,063)	-
Total financial liabilities	(29,135)	(29,135)	-	(29,135)	-
Total financial instruments	136,938	136,938	-	136,938	-

Financial Instrument
Interest rate swap

Valuation Technique

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

19 - Share Capital

	Number of shares 30 June 2019 No.	Number of shares 30 June 2018 No.	Nominal Value 30 June 2019 £'000	Nominal Value 30 June 2018 £'000
Ordinary shares of £1 each				
Issued and fully paid:				
At the beginning of the year	37,000,003	37,000,002	37,000	37,000
Shares issued	-	1	-	-
At the end of the year	37,000,003	37,000,003	37,000	37,000

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.

20 - Share premium

During the prior year the company issued one share for a premium of £10,794,000.

21- 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.

22- Retained earnings

The retained earnings reserve comprises the cumulative net gains and losses recognised earnings in the consolidated statement of comprehensive income. During the year the Company issued a dividend of £nil (2018: £nil).

The non-controlling interest balance of £1,983,000 (2018: £1,982,000) relates to the loss attributable to the other members of the Grand Imperial Restaurant LLP.

Notes to the financial statements (continued)

23 - Retirement benefit obligations

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

The amounts recognised in the balance sheet have been determined by a qualified independent actuary by updating the latest full actuarial assessments of the schemes as at 1 May 2017 to 30 June 2019 and comprise:

Retirement Benefit Obligations

	30 June 2019 £000's	30 June 2018 £000's	30 June 2017 £000's	30 June 2016 £000's	30 June 2015 £000's	30 June 2014 £000's
Fair Value of Schemes' investment assets	100,563	98,044	98,108	94,473	92,057	85,619
Present value of unfunded obligations	(94,964)	(89,400)	(97,657)	(92,522)	(85,476)	(83,459)
Net Surplus in schemes	5,599	8,644	451	1,951	6,581	2,160

Statement of Financial Position Reconciliation

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Net asset at beginning of the year	8,644	451
Pension expense recognised in P&L in the financial year	(47)	(158)
Amounts recognised in OCI in the financial year	(5,897)	5,120
Employer contributions made in the financial year	2,899	2,977
Insurance Rebate	-	254
Net asset at the end of the year	5,599	8,644

The below table provides an estimate of contributions for the year ended 30 June 2019

	Year ended 30 June 2019 £000's
Company contributions	2,899
Member contributions	4
Total	2,903

Neither scheme has any minimum funding requirements.

The Trustees are responsible for:

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

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

Principal actuarial assumptions

The principal assumptions

	Year ended 30 June 2019 %	Year ended 30 June 2018 %
Financial assumptions		
Discount rate	2.30	2.85
Inflation assumption (RPI)	3.20	3.10
Inflation assumption (CPI)	2.20	2.00
Rate of increase in salaries	3.70	3.60
Rate of increase to pensions in payment (RPI maximum 5% pa)	3.10	3.00
Rate of increase to pensions in payment (CPI maximum 3% pa)	1.95	1.80
Rate of increase to pensions in payment (CPI maximum 2.5% pa)	1.80	1.65
Demographic assumptions		
Life expectancy at age 65 of male member aged 65 at year-end	21.5 years	21.9 years
Life expectancy at age 65 of male member aged 45 at year-end	22.8 years	23.3 years

Notes to the financial statements (continued)

23 - Retirement benefit obligations (continued)

Changes in the fair value of the Schemes' assets

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Fair value of Schemes' assets at start of the financial year	98,044	98,108
Net interest on Scheme assets	2,777	2,585
Remeasurement loss on Scheme assets	(404)	(1,226)
Contributions from the Company	2,899	2,977
Contributions from members	4	7
Insurance Rebate	-	254
Benefits paid	(2,757)	(4,661)
Fair value of Schemes' assets at end of the financial year	<u>100,563</u>	<u>98,044</u>

Analysis of Scheme assets

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Equities / Diversified Growth Fund	51,689	51,863
Bonds	48,235	46,012
Cash	639	169
Total market value of assets	<u>100,563</u>	<u>98,044</u>

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

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

Changes in the present value of the Schemes' unfunded obligations

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Present value of the Schemes' obligation at the start of the financial year	89,400	97,657
Current service cost	121	206
Past service cost	218	-
Interest cost	2,485	2,537
Actuarial (gain)/ loss arising from changes in financial assumptions	7,308	(3,415)
Actuarial gain arising from changes in demographic assumptions	(2,041)	(1,391)
Actuarial (loss)/gain arising from experience	226	(1,540)
Contributions from members	4	7
Benefits paid	(2,757)	(4,661)
Present value of the Schemes' obligation at the end of the financial year	<u>94,964</u>	<u>89,400</u>

Sensitivity analysis

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

	30 June 2019 Increase/ (decrease) £000's	30 June 2018 Increase/ (decrease) £000's
Discount rate:		
1 percentage point increase	1,370	1,340
1 percentage point decrease	(1,400)	(1,340)
Inflation:		
1 percentage point increase	(740)	(530)
1 percentage point decrease	740	710
Life expectancy:		
One-year increase	(4,500)	(3,750)
One-year decrease	4,500	3,750

Notes to the financial statements (continued)

23 - Retirement benefit obligations (continued)

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

	Year ended 30 June 2019 £000's	Year ended 30 June 2018 £000's
Included in operating costs:		
Current service cost	121	206
Past service cost	219	-
Included in financing costs:		
Net interest receivable on the Scheme's surplus	(293)	(48)
Pension expense recognised in profit and loss	47	158
Included in other comprehensive income:		
Return on plan assets below/ (in excess of) that recognised in net interest	404	1,226
Actuarial loss/(gain) loss arising from changes in financial assumptions	7,308	(3,415)
Actuarial (gain) arising from changes in demographic assumptions	(2,041)	(1,391)
Actuarial loss/(gain) arising from experience	226	(1,540)
Total loss/(gain) recognised in other comprehensive income	5,897	(5,120)
Total loss/(gain) recognised in the Statement of Profit and Loss and Other Comprehensive Income	5,944	(4,962)

Defined contribution pension schemes

The Group operates defined contribution pension schemes for certain employees. Costs for the financial year amounted to £678,000 (2018: £513,000).

24 - Related party transactions

Group

Management fees of £751,000 (2018: £1,945,000) are payable to GuoLine Group Management Co. Limited, a member of the Hong Leong Group. The amount accrued but unpaid at the year-end amounted to £617,000 (2018: £1,762,000).

Income of £290,000 (2018: £290,000) is receivable from GLH Hotels Holdings Management (UK) Limited a related party in respect for rent and services charges for office space.

The Group also provided a financial clerical services function to Clermont Leisure UK, a subsidiary of GL Limited, prior to its sale during the financial year. These transactions were fully recharged and amounted to £60,500 (2018: £165,000).

Annual rent of £9,500,000 (2018: £9,500,000) is due to GLH RHG Limited and GLH KG Limited, both of which are controlled by GLH Hotels Group Limited.

In addition, the group entered into the following transactions with GLH Hotels Holdings Management (UK) Limited of £25,631,000 (2018: £25,114,000) in respect of management fees.

The net movements from these transactions are accumulated in the amounts owed to or from related parties, immediate parent company and subsidiaries shown in Notes 13 and 14.

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

Notes to the financial statements (continued)

24 - Related party transactions (continued)

	Receivable 30 June 2019 £000's	Receivable 30 June 2018 £000's
Amounts owed by related parties		
GLH IP Holdings Limited	279	199
GLH RHG Limited	1,231	-
	<u>1,510</u>	<u>199</u>
	Payable 30 June 2019 £000's	Payable 30 June 2018 £000's
Amounts owed to parent companies of the group		
GLH Hotels Group Limited – parent company	(289,305)	(279,336)
	<u>(289,305)</u>	<u>(279,336)</u>
Amounts owed to related parties		
GLH IP Holdings Limited	(9)	-
GLH Hotels Holdings Management (UK) Limited	(2,860)	(893)
GLH KG Limited	(2,749)	(1,026)
GLH RHG Limited	-	(3,379)
GuoLine Group Management Co. Limited	(617)	(1,762)
	<u>(6,235)</u>	<u>(7,060)</u>

Company

Interest of £3,068,000 (2018: £2,749,000) was payable to GLH Hotels Limited and £7,534,000 (2018: £7,462,000) was payable to GLH Hotels Group Limited, both in respect of loan balances.

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

25 - Financial commitments

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

	30 June 2019 Property £'000	30 June 2019 Plant and Equipment £'000	30 June 2018 Property £'000	30 June 2018 Plant and Equipment £'000
Payments which fall due				
Less than one year	42,527	663	41,946	492
Between one and five years	171,647	184	167,555	319
More than five years	534,695	-	537,255	-
Total payable over the life of the leases	<u>748,869</u>	<u>847</u>	<u>746,756</u>	<u>811</u>
		30 June 2019 £'000		30 June 2018 £'000
Capital commitments				
Contracted for but not provided in the accounts		9,997		9,029

Notes to the financial statements (continued)

26 - Post Balance Sheet Event

On 16th September 2019, £23m was repaid on the unsecured borrowings, reducing the principal loan outstanding to £87m.

27 - 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:

Judgement

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

- WACC Rate – 9.81% (pre tax rate) (2018: 9.5%) was considered a reasonable rate for the group. The WACC was calculated based on the debt – equity ratio, cost of equity and cost of debt with an updated company specific Alpha and Beta updated to reflect long term yield rates. There is an unchanged market risk premium from the prior year and the exit multiples of 9-12.5 have been deemed reasonable for the hotels. A WACC of 10.3% (2018: 10.34%) or more (pre-tax) would be required to reduce the headroom to NIL for the hotels.
- Short term and long term growth rate – The judgement applied in setting the short and long term growth rate is based on the budget for the hotels. Significant judgement is used to set the budget and the group looks specifically at each hotel the initiative they apply combined with initiative set at a group level. Based on these factors the group will determine the expected uplift in the hotels.

Consideration of impairment to the carrying values of assets has been made and the directors concluded that the individual carrying values of operating assets are supportable by the value in use or fair value less costs to sell. The impact of the current economic conditions on the assessment of going concern has been considered.

Estimation

- Property, plant and equipment - Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment. The selection of these residual values and estimated lives requires the exercise of judgement.
- Hedging Reserve (Notes 16 & 21)- Consistent with IFRS 9, the effectiveness of the hedge is assessed on a quarterly basis allowing a comparison to be made in the movement between the derivative gain/loss and a 'hypothetic derivative' which would model the future highly probable cash flows on the borrowing. The terms of the hedging instrument are equal to the hedged item, with both items with the same counter-party, therefore for every £1 gain there will be an offsetting £1 loss. We have therefore assessed the hedge as effective.

28 - 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 continued in Bermuda and listed on the Singapore Stock Exchange. The registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

GL Limited is both controlled and its financial results consolidated by Guoco Group Limited, a company registered in Hong Kong and listed on the Hong Kong Stock Exchange. Copies of the accounts of Guoco Group Limited are available from its website www.guoco.com. 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.