GLH Hotels Holdings Limited

Annual report and financial statements

Registered number 4560805

30 June 2017

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Strategic report

The directors present their strategic report for the year ended 30 June 2017.

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

Strategy and developments
During the year ended 30 June 2017 the Group operated 16 hotels.

Since the end of the year, two newly refurbished hotels have opened in Luton and Swindon, opening in July and August 2017, respectively. These hotels will operate under the Group's new Thistle Express brand.

We have also ceased trading at the Thistle Euston. On 23 February, Royal Assent was given to the HS2 rail line and the Government issued a Compulsory Purchase Order, with the hotel closing on 4 October 2017.

The Group continues to focus on driving value from its portfolio of hotels both through operational excellence and asset transformation. The agreement with Hard Rock to transform The Cumberland was signed on 15 June 2016, with the refurbishment works commencing in May 2017. The hotel is planned to open as Hard Rock London in early 2019.

Performance of the London hotel market is expected to be modest for the coming year, and GLH 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') had a strong year. Rooms revenue was £12.2m higher than prior year, despite 21,000 room nights being lost due to refurbishment works at The Cumberland, driven by a 5.8% increase in average room rate. This has led to a profit before tax of £14,468,000 (*2016: £12,559,000*).

The net asset position of the Group has improved to £128m (*2016: £117m*).

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

KPIs: % movement vs prior year	**Year Ended 30 June 2017**	Year Ended 30 June 2016
Occupancy	**(5.1)**	(5.4)
Average room rate	**7.0**	4.7
Revenue per available room (RevPAR)	**1.6**	(0.9)

Principal risks and uncertainties

Principal risks	Mitigating activities
Brand reputation The Company and the Group are reliant upon the reputation of the Group brands and the protection of its intellectual property rights. Any event that materially damages the reputation of one or more of the Group's brands and/or failure to sustain the appeal of the Group's brands to its customers may have an adverse impact on subsequent revenues from that brand or related operation.	Each of the brands in our portfolio is designed to meet specific guest needs. The consistency of our brands is managed through the brand standard requirements. We continually review ways to increase awareness and loyalty towards our brands. 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.
Political or economic uncertainty The Company and the Group are exposed to the risk of adverse political or economic developments. In particular, on June 23 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, the UK's exit has potential to impact in three primary ways: 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. 2) UK domestic travel (both in terms of the corporate and leisure markets) may be impacted by overall economic growth predictions, and overall confidence 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 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 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. ***Events affecting international travel*** Given the international customer base, the Group is exposed to the risk of significant events impacting international travel (such as acts of terrorism and outbreaks of disease).	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 both domestic and international appeal, across both business and leisure markets, and the customer base is not concentrated in any specific geographical region. The Group retains a proactive focus on costs and in the event of a down-turn this enhanced competitiveness allowed us to protect our margins.
Treasury risk 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.	The Group's Treasury function manages both the activities of all operating companies within the Group and the Group's borrowings. The Group's treasury activities, including the use of financial instruments, are overseen by the Treasury Review Management Committee.

By order of the board

Neil Gallagher
Director

15 March 2018

Directors' report

The directors present their directors' report and financial statements for the year ended 30 June 2017.

Result and dividends

The results for the year ended 30 June 2017 are set out in the Statement of Comprehensive Income on page 8. Profit after tax for the year was £13,743,000 *(2016: £11,540,000)*.

£Nil interim dividends were paid during the financial year *(2016: £Nil)*. The directors do not recommend the payment of a final dividend *(2016: £Nil)*.

Directors and directors' interests

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

Susan Lim Geok Mui
Kah Meng Ho
Neil Gallaher

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

Financial risk

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

Donations

£Nil *(2016: £Nil)* charitable or political donations were made during the year.

Employee matters

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

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

Directors' report *(continued)*

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 Company maintains a Risk Register which is reviewed periodically by the Board and Management. 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, Management and external auditors, the Board, with the concurrence of 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 25 August 2017, the Board received assurance from Mr Neil Gallagher and Mr Peter Herbert, 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 FY2017 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 auditors is aware of that information.

Auditor

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

By order of the board

Neil Gallagher
Director

15 March 2018

Registered Office
Stephenson House
75 Hampstead Road
London
NW1 2PL

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, 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 relating 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.

KPMG

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

We have audited the financial statements of GLH Hotels Holdings Limited for the year ended 30 June 2016 set out on pages 8 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' report:

- we have not identified material misstatements in those reports; 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Andrew Turner (Senior Statutory Auditor)

For and on behalf of

KPMG LLP
Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

15 March 2018

Consolidated statement of comprehensive income
for the year ended 30 June 2017

	Note	**Year ended 30 June 2017 £000's**	Year ended 30 June 2016 £000's
Revenue	3	**250,278**	240,374
Financial income	6	**152**	328
Depreciation and amortisation	4	**(12,192)**	(11,231)
Management fees	23	**(27,026)**	(25,878)
Property rent	4	**(43,817)**	(46,614)
Employee benefits expense	5	**(46,172)**	(47,894)
Financial costs	7	**(16,714)**	(14,838)
Property costs		**(24,538)**	(23,429)
Rooms commissions		**(18,953)**	(14,781)
Direct expenses		**(11,180)**	(10,919)
Food and beverage cost of sales		**(9,280)**	(10,066)
Maintenance and service costs		**(6,754)**	(6,351)
Professional fees		**(6,610)**	(7,707)
Rental costs		**(2,138)**	(2,041)
Other costs		**(10,588)**	(6,394)
Profit before tax		**14,468**	12,559
Taxation	8	**(725)**	(1,019)
Profit for the year		**13,743**	11,540
Attributable to:			
Equity holders of the parent		**13,821**	11,678
Non-Controlling Interest		**(78)**	(138)
		13,743	11,540
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses) on defined benefit pension plans	22	**(4,343)**	(7,685)
Deferred tax on other comprehensive income	8	**273**	938
Current tax on other comprehensive income	8	**-**	297
Items that are or may be reclassified subsequently to profit or loss:			
Change in fair value on cash flow hedge		**1,731**	(6,126)
Deferred tax on change in fair value on cash flow hedge	8	**(374)**	1,435
Total comprehensive income for the year		**11,030**	399
Attributable to:			
Equity holders of the parent		**11,108**	537
Non-Controlling Interest		**(78)**	(138)
		11,030	399

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

The notes set out on pages 12 to 39 form an integral part of these financial statements.

Consolidated and Company
Statements of financial position at 30 June 2017

	Note	Group 30 June 2017 £000's	Group 30 June 2016 £000's	Company 30 June 2017 £000's	Company 30 June 2016 £000's
ASSETS					
Non-current assets					
Property, plant and equipment	9	**619,351**	628,653	**-**	-
Investment in subsidiaries	10	**-**	-	**367,922**	367,922
Pension benefit surplus	22	**527**	1,951	**-**	-
Total non-current assets		**619,878**	630,604	**367,922**	367,922
Current assets					
Inventories	11	**409**	336	**-**	-
Cash and cash equivalents		**28,071**	11,662	**-**	-
Trade and other receivables	12	**35,098**	35,870	**-**	-
Total current assets		**63,578**	47,868	**-**	-
Total assets		**683,456**	678,472	**367,922**	367,922
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	19	**37,000**	37,000	**37,000**	37,000
Hedging reserve	20	**(5,179)**	(6,536)	**-**	-
Retained earnings / (accumulated losses)	21	**98,201**	88,450	**(51,407)**	(41,050)
		130,022	118,914	**(14,407)**	(4,050)
Non-controlling interest	21	**(1,911)**	(1,833)	**-**	-
Total equity		**128,111**	117,081	**(14,407)**	(4,050)
Non-current liabilities					
Borrowings	14	**194,109**	193,938	**-**	-
Deferred tax	16	**9,744**	10,716	**-**	-
Derivative financial instrument	15	**6,240**	7,971	**-**	-
Pension benefit deficit	22	**76**	-	**-**	-
Total non-current liabilities		**210,169**	212,625	**-**	-
Current liabilities					
Trade and other payables	13	**345,176**	348,235	**382,329**	371,972
Provisions	17	**-**	531	**-**	-
Total current liabilities		**345,176**	348,766	**382,329**	371,972
Total liabilities		**555,345**	561,391	**382,329**	371,972
Total equity and liabilities		**683,456**	678,472	**367,922**	367,922

The notes set out on pages 12 to 39 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 15 March 2018 and were signed on its behalf by:

Neil Gallagher
Director

Consolidated statement of changes in equity
for the year ended 30 June 2017

	Share Capital £000's	Hedging Reserve £000's	Retained Earnings £000's	Sub-total £000's	Non - Controlling Interest £000's	Total £000's
At 30 June 2015	-	(1,845)	83,222	**81,377**	(1,695)	**79,682**
Comprehensive income for the year						
Profit attributable to equity holders of the parent	-	-	11,678	**11,678**	(138)	**11,540**
Other comprehensive income	-	(6,126)	(6,450)	**(12,576)**	-	**(12,576)**
Deferred tax on interest rate swap	-	1,435	-	**1,435**	-	**1,435**
Contributions by and distributions to the owners						
Issue of ordinary share capital	37,000	-	-	**37,000**	-	**37,000**
At 30 June 2016	**37,000**	**(6,536)**	**88,450**	**118,914**	**(1,833)**	**117,081**
Comprehensive income for the year						
Profit attributable to equity holders of the parent	-	-	13,821	**13,821**	(78)	**13,743**
Other comprehensive income	-	1,731	(4,070)	**(2,339)**	-	**(2,339)**
Deferred tax on interest rate swap	-	(374)	-	**(374)**	-	**(374)**
At 30 June 2017	**37,000**	**(5,179)**	**98,201**	**130,022**	**(1,911)**	**128,111**

Company statement of changes in equity
for the year ended 30 June 2017

	Share Capital £000's	Accumulated Losses £000's	Total £000's
At 30 June 2015	**-**	**(35,054)**	**(35,054)**
Comprehensive income for the year			
Loss attributable to equity holders of the parent	-	(5,996)	**(5,996)**
Contributions by the owners			
Issue of ordinary share capital	37,000	-	**37,000**
At 30 June 2016	**37,000**	**(41,050)**	**(4,050)**
Comprehensive income for the year			
Loss attributable to equity holders of the parent	-	(10,357)	**(10,357)**
At 30 June 2017	**37,000**	**(51,407)**	**(14,407)**

The notes set out on pages 12 to 39 form an integral part of these financial statements.

Consolidated and Company
Statement of cash flows for the year ended 30 June 2017

	Group		Company	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016
	£000's	£000's	**£000's**	£000's
Cash flows from operating activities				
Profit / (loss) for the financial year	**13,743**	11,540	**(10,357)**	(5,996)
Adjustments for:				
Taxation	**725**	1,019	**-**	-
Financial costs	**16,714**	14,838	**10,357**	11,986
Financial income	**(152)**	(328)	**-**	-
Depreciation	**12,192**	11,231	**-**	-
Pension fund payments in excess of P&L charge	**(2,961)**	(3,055)	**-**	-
Amortisation of fees	**485**	525	**-**	-
Disposal of fixed assets	**7,965**	22	**-**	-
Changes in working capital:				
Decrease / (increase) in inventories	**(73)**	50	**-**	-
Decrease in trade and other receivables	**772**	2,279	**-**	-
Increase / (decrease) in trade and other payables	**(12,151)**	2,539	**-**	(5,990)
(Decrease) in provisions	**(531)**	(1,342)	**-**	-
Cash generated from operations	**36,728**	39,318	**-**	-
Interest paid	**(8,200)**	(7,137)	**-**	-
Tax Paid	**(1,322)**	(1,673)	**-**	-
Net cash generated from operating activities	**27,206**	30,508	**-**	-
Cash flows from investing activities				
Purchase of tangible fixed assets	**(10,855)**	(11,055)	**-**	-
Interest received	**58**	26		
Net cash used in investing activities	**(10,797)**	(11,029)	**-**	-
Cash flows from financing activities				
Issue of ordinary share capital	**-**	-	**-**	-
Fees paid relating to debenture	**-**	-	**-**	-
Debenture stock redeemed	**-**	-	**-**	-
New bank loan	**-**	-	**-**	-
New loan (to) group companies	**-**	-	**-**	-
Net cash (used in) financing activities	**-**	-	**-**	-
Net increase / (decrease) in cash and cash equivalents	**16,409**	19,479	**-**	-
Cash and cash equivalent at the start of the year	**11,662**	(7,817)	**-**	-
Cash and cash equivalents at the end of the year	**28,071**	11,662	**-**	-

The notes set out on pages 12 to 39 form an integral part of these financial statements.

Notes to financial statements

1 – Accounting policies

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 Stephenson House 75 Hampstead Road, London NW1 2PL.

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

On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

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

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

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

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

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

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

International Financial Reporting Standards	Effective for accounting periods starting on or after
IFRS 2, Classification and measurement of share-based payment transactions	1 January 2017
IFRS 9, Financial instruments	1 January 2018
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 16, Leases	1 January 2019
IAS 7, Disclosure Initiative	1 January 2017
IAS 12, Recognition of deferred tax assets for unrealised losses (amendments)	1 January 2017

The application of these standards, with the exception of IFRS 16, is not anticipated to have a material effect on the Group's financial statements except for additional disclosure.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. The Group and company as a lessee would be required to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This would result in a material impact to the Group and Company's balance sheet. There are optional exemptions for short-term leases and leases of low value items.

Notes to Financial Statements *(continued)*

1 – Accounting Policies *(continued)*

Expected impact on financial statement

IFRS 16 Leases (effective 1 Jan 2019) (note 24)

	Balance Sheet Impact £000's	Income Statement Impact £000's
Recognise lease asset	285,986	-
Recognise lease liability	(285,986)	-
Reduction in net assets at end of year 1 (Excess Lease Liability over Lease Asset)	(8,265)	-
Increase in P&L expense during the year	-	(8,265)

Potential impact on IFRS 9 Hedging not adopted in the financial statements
The directors are required to determine whether the hedging relationship qualifies for hedge accounting against the following criteria:

- Formal designation and documentation
- The hedging relationship consists of eligible hedging instruments and hedged items.
- The hedge is effective.

After consideration of the above, they concluded that they still meet the definition of a hedge and there is no expected material impact.

Potential impact on IFRS 15 revenue recognition
The directors are required to determine whether IFRS 15 Revenue Recognition will change the profile of revenue and profit recognition in the financial statements.
The core principle of IFRS 15 is that an entity recognises revenue to reflect the transfer of goods or services, measured as the amount to which the entity expects to be entitled in exchange for those goods or services.
Glh's hotel, 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 impact on the accounting and / or financial statements.

Basis of consolidation
The financial statements incorporate the accounts of the Company and all its subsidiaries for the year ended 30 June 2016. The results of subsidiaries acquired or disposed of during the year are included in the Group profit and loss account from or up to the effective date of acquisition or disposal.

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

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.

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

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

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

Notes to Financial Statements *(continued)*

1 – Accounting Policies *(continued)*

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

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

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

The principal expected useful economic lives are:

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

Repairs and maintenance costs are expensed as incurred.

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

Leased assets

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

Classification of financial instruments issued by the Group
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 group 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 group; 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.

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

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

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

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

Investments in debt and equity securities
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.

Notes to Financial Statements *(continued)*

1 – Accounting Policies *(continued)*

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

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

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

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

When the hedged items 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.

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

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

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

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

Notes to Financial Statements *(continued)*

1 – Accounting Policies *(continued)*

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

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

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

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

Revenue
Revenue 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 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.

Interest income is recognised in the profit or loss as it accrues, using the effective interest rate method.

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

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

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

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

Financing income and costs
Financing costs comprise interest payable, finance charges on shares classified as liabilities, 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.

Notes to Financial Statements *(continued)*

1 – Accounting Policies *(continued)*

Foreign currency

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

Discontinued operations

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

Defined 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.

Defined benefit plans

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 AAA 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. The Group also obtained the actuarial valuation at least once every three years.

Remeasurements 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.

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 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.

Notes to Financial Statements *(continued)*

1 – Accounting Policies *(continued)*

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.

Defined benefit obligations arising from contractual obligations
Where the Group takes on a contract and assumes the obligation to contribute variable amounts to the defined benefit pension scheme throughout the period of the contract, the Group's share of the defined benefit obligation less its share of the pension scheme assets that it will fund over the period of the contract is recognised as a liability at the start of the contract with a corresponding amount being recognised as an intangible asset. The intangible asset, which reflects the Group's right to manage and operate the contract, is amortised over the contract period. The Group's share of the scheme assets and liabilities is calculated by reducing the scheme assets and liabilities by a franchise adjustment. The franchise adjustment represents the estimated amount of scheme deficit that will be funded outside the contract period. Subsequent actuarial gains and less in relation to the Group's share of pension obligations are recognised within Other Comprehensive Income.

Notes to Financial Statements *(continued)*

2 - Operating segments

A. Basis for segmentation

The Group operates the following brands: Amba, Every, Guoman, Thistle and Thistle express. 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.

B. Information about reportable segments.

Profit and loss statement for the year ended 30 June 2017

	Guoman	Amba	Every, Thistle, Thistle Express	Central	Total
	£000's	£000's	£000's	£000's	**£000's**
Revenue	123,903	62,606	62,299	1,470	**250,278**
Financial income	-	-	2,507	(2,355)	**152**
Depreciation	(4,258)	(4,732)	(3,191)	(11)	**(12,192)**
Management fees	(13,466)	(6,949)	(6,611)	-	**(27,026)**
Property rent	(25,370)	(172)	(19,240)	965	**(43,817)**
Employee benefits expense	(22,972)	(9,880)	(12,488)	(832)	**(46,172)**
Financial costs	(4,899)	(3,031)	(877)	(7,907)	**(16,714)**
Other Costs	(40,812)	(18,266)	(22,036)	(8,927)	**(90,041)**
Profit before tax	12,126	19,576	363	(17,597)	**14,468**
Taxation	(140)	(620)	125	(90)	**(725)**
Profit for year	11,986	18,956	488	(17,687)	**13,743**

Profit and loss statement for the year ended 30 June 2016

	Guoman	Amba	Every, Thistle, Thistle Express	Central	Total
	£000's	£000's	£000's	£000's	**£000's**
Revenue	121,787	53,254	63,812	1,521	**240,374**
Financial income	-	-	2,470	(2,142)	**328**
Depreciation	(4,518)	(3,203)	(3,510)	-	**(11,231)**
Management fees	(13,218)	(6,030)	(6,630)	-	**(25,878)**
Property rent	(24,669)	(172)	(20,694)	(1,079)	**(46,614)**
Employee benefits expense	(23,622)	(9,583)	(13,749)	(940)	**(47,894)**
Financial costs	(5,458)	(995)	(923)	(7,462)	**(14,838)**
Other Costs	(40,195)	(16,104)	(22,285)	(3,104)	**(81,688)**
Profit before tax	10,107	17,167	1,509	(13,206)	**12,559**
Taxation	388	(1,404)	337	(340)	**(1,019)**
Profit for year	10,495	15,763	(1,172)	(13,546)	**11,540**

Notes to Financial Statements *(continued)*

2 - Operating segments *(continued)*

Balance sheet at 30 June 2017

	Guoman	Amba	Every, Thistle, Thistle Express	Central	Total
	£000's	£000's	£000's	£000's	**£000's**
Non-current assets					
Property, plant and equipment	320,574	250,807	47,846	124	619,351
Pension benefit surplus	-	-	-	527	527
Current assets					
Inventories	215	77	88	29	409
Cash and cash equivalents	1,858	1,450	1,634	23,129	28,071
Trade and other receivables	33,085	28,861	43,071	(69,919)	35,098
Non-current liabilities					
Borrowings	-	-	-	(194,109)	(194,109)
Deferred tax	(4,981)	(4,735)	(1,287)	1,259	(9,744)
Preference Shares	30	-	-	(30)	-
Derivative financial instrument	-	-	-	(6,240)	(6,240)
Pension benefit deficit	-	-	-	(76)	(76)
Current liabilities					
Trade and other payables	(20,968)	(9,236)	(53,891)	(261,081)	(345,176)
Deferred tax	-	-	(97)	97	-
Net assets/ (liabilities)	**329,813**	**267,224**	**37,364**	**(506,290)**	**128,111**

Balance sheet at 30 June 2016

	Guoman	Amba	Every, Thistle, Thistle Express	Central	Total
	£000's	£000's	£000's	£000's	**£000's**
Non-current assets					
Property, plant and equipment	321,730	255,268	50,425	1,230	628,653
Deferred tax	404	-	-	(404)	-
Pension benefit surplus	-	-	-	1,951	1,951
Current assets					
Inventories	169	58	82	27	336
Cash and cash equivalents	781	389	606	9,886	11,662
Trade and other receivables	32,052	21,821	11,681	(29,684)	35,870
Non-current liabilities					
Borrowings	-	-	-	(193,938)	(193,938)
Deferred tax	(5,246)	(5,960)	(1,507)	1,997	(10,716)
Preference Shares	(30)	-	-	30	-
Derivative financial instrument	-	-	-	(7,971)	(7,971)
Current liabilities					
Trade and other payables	(21,028)	(6,775)	(26,406)	(294,026)	(348,235)
Provisions	-	-	-	(531)	(531)
Net assets/ (liabilities)	**328,832**	**264,801**	**34,881**	**(511,433)**	**117,081**

Notes to Financial Statements *(continued)*

3 – Revenue

Revenue consists of the following revenue streams:

	Year ended 30 June 2017 £000's	Year ended 30 June 2016 £000's
Rooms revenue	**202,443**	190,258
Food and beverage	**23,989**	25,206
Meetings and events	**18,012**	18,975
Other	**5,834**	5,935
Total revenue	**250,278**	240,374

4 - Expenses and Auditor's Remuneration

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

	Group	
	Year ended 30 June 2017 £000's	Year ended 30 June 2016 £000's
Amounts payable to auditors:		
Audit of these financial statements	**10**	10
Audit of financial statements of subsidiaries pursuant to legislation	**106**	102
Pension scheme audit	**15**	12
Audit -related assurance services	**7**	5
Depreciation and other amounts written off tangible fixed assets	**12,192**	11,231
Equipment rentals payable under operating leases	**793**	1,230
Property rentals payable under operating leases	**43,817**	46,614

Notes to Financial Statements *(continued)*

5 - Employee, Directors and Key Management information

	Group	
	Year ended 30 June 2017 £000's	Year ended 30 June 2016 £000's
Employee costs during the year:		
Agency wages	**14,040**	13,543
Employee wages and salaries	**29,170**	31,146
Employer's social security costs	**2,441**	2,629
Employer's pension costs	**521**	576
	46,172	47,894

	Group	
	Year ended 30 June 2017 No	Year ended 30 June 2016 No
Average monthly staff employed (excluding agency staff):		
Hotel operating staff	**1,690**	1,607

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

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

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 £153,000 (*2016: £301,000*) has been apportioned to the Group based on the services performed by directors for the individual undertakings within the Group.

6 - Financial income

	Group	
	Year ended 30 June 2017 £000's	Year ended 30 June 2016 £000's
Bank interest receivable	**50**	26
Net interest income on retirement benefit obligations	**102**	302
	152	328

Notes to Financial Statements *(continued)*

7 - Financial costs

	Group	
	Year ended 30 June 2017 £000's	Year ended 30 June 2016 £000's
Bank overdrafts	**244**	384
Debenture stock and bank loan interest	**9,085**	7,217
Amortisation of fair value adjustment on debentures	**(355)**	(356)
Interest paid to related parties	**7,740**	7,593
	16,714	14,838

8 - Taxation

	Group	
	Year ended 30 June 2017 £000's	Year ended 30 June 2016 £000's
Recognised in the Income Statement		
UK corporation tax		
Current year tax charge	**2,616**	511
Adjustments in respect of previous years	**(549)**	1,714
Current tax charge / (credit)	**2,067**	2,225
Deferred taxation		
Effect of changes in tax rate	**(577)**	109
Current year tax charge	**(992)**	98
Adjustments in respect of previous years	**227**	(1,413)
Deferred tax credit recognised in statement of comprehensive income	**(1,342)**	(1,206)
Taxation	**725**	1,019
Recognised in Other Comprehensive Income		
Deferred tax on pension deficit	**(273)**	(938)
Current tax on pension deficit	**-**	(297)
Actual tax (credit) / charge recognised in other comprehensive income	**(273)**	(1,235)
Recognised in Equity		
Deferred tax on pension deficit	**374**	(1,435)
Actual tax (credit) / charge recognised in equity	**374**	(1,435)

8 – Taxation *(continued)*

Reconciliation of effective tax rate

	Year ended 30 June 2017		Year ended 30 June 2016	
	%	**£000's**	%	£000's
Profit before tax for the year	**100.0**	**14,468**	100 .0	12,559
Expected tax charge at 19.75% (2016: 20%)	**19.7**	**2,857**	20.0	2,512
Items not subject to tax or deductible for tax purposes	**22.4**	**3,236**	7.3	920
Group relief receivable for nil consideration	**(25.7)**	**(3,713)**	(14.9)	(1,873)
Movement in unprovided deferred tax	**0.9**	**128**	5.0	627
Deferred tax rate change	**(3.8)**	**(555)**	(11.3)	(1,417)
Adjustments in respect of previous years	**(2.2)**	**(322)**	4.9	612
Indexation on base cost	**(6.3)**	**(906)**	(2.9)	(362)
Actual tax charge in income statement	**5.0**	**725**	8.1	1,019

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. The company's deferred tax liability at 30 June 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

9 - Property, plant and equipment

As at 30 June 2017	**Land and Buildings**	**Fit out costs, plant and equipment**	**Group Total**
	£000's	**£000's**	**£000's**
Cost			
At the beginning of the financial year	**620,138**	**213,045**	**833,183**
Additions	**796**	**10,059**	**10,855**
Disposals	**(7,738)**	**(12,005)**	**(19,743)**
At the end of the financial year	**613,196**	**211,099**	**824,295**
Depreciation			
At the beginning of the financial year	**56,894**	**147,636**	**204,530**
Charge for the financial year	**5,908**	**6,284**	**12,192**
Disposals	**(1,643)**	**(10,135)**	**(11,778)**
At the end of the financial year	**61,159**	**143,785**	**204,944**
Net book value			
As at 30 June 2017	**552,037**	**67,314**	**619,351**

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

As at 30 June 2016 - Group

	Land and Buildings £000's	Fit out costs, plant and equipment £000's	Group Total £000's
Cost			
At the beginning of the financial year	557,075	265,219	822,294
Additions	3,424	7,631	11,055
Disposals	-	(166)	(166)
Reclassification	59,639	(59,639)	-
At the end of the financial year	620,138	213,045	833,183
Depreciation			
At the beginning of the financial year	17,332	176,111	193,443
Charge for the financial year	5,039	6,192	11,231
Disposals	-	(144)	(144)
Reclassification	34,523	(34,523)	-
At the end of the financial year	56,894	147,636	204,530
Net book value			
As at 30 June 2016	563,244	65,409	628,653

During 2016, assets with a net book value of £25,116,000 were reclassified from fit out costs, plant and equipment to land and buildings. There were no changes to depreciation rates for assets as a result of the reclassification

One property *(2016: one)* with aggregate carrying value of £89,860,000 (*2016: £91,025,000*) is charged as security for the Group's debenture borrowing facilities.

At 30 June 2017, certain of the Group's properties were tested for impairment.

The recoverable amounts of the properties are determined from value in use calculations. The key assumptions used are in relation to discount and growth rates. Growth rates incorporate occupancy, room rate, volume and direct cost changes. Management used pre-tax discount factor of 7.39% *(2016: 7.39%)* over the forecast period.

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

	June 2018	June 2019 onwards
Average revenue portfolio growth	5.0%	3.0%

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

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

Notes to Financial Statements *(continued)*

10 - Investment in subsidiaries

	Company	
	30 June 2017	30 June 2016
	£000's	£000's
Net book value at the beginning and end of the year	**367,922**	367,922

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

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

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

All of the companies are registered and incorporated in the United Kingdom. The registered address for all the companies is Stephenson House 75 Hampstead Road, London NW1 2PL.

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

11 - Inventories

As at 30 June 2017	Group			
	Food stock	**Beverage stock**	**Other stock**	**Total**
	£000's	**£000's**	**£000's**	**£000's**
Cost				
At the beginning of the financial year	**184**	**152**	**-**	**336**
Purchases	**7,384**	**1,969**	**-**	**9,353**
Utilised during the year	**(7,350)**	**(1,930)**	**-**	**(9,280)**
At the end of the financial year	**218**	**191**	**-**	**409**

As at 30 June 2016				
	Food stock	**Beverage stock**	**Other stock**	**Total**
	£000's	**£000's**	**£000's**	**£000's**
Cost				
At the beginning of the financial year	210	159	17	386
Purchases	7,490	1,984	2	9,476
Utilised during the year	(7,516)	(1,991)	(19)	(9,526)
At the end of the financial year	184	152	-	336

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

Notes to Financial Statements *(continued)*

12 - Trade and other receivables

	Group		Company	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016
	£000's	£000's	**£000's**	£000's
Current assets				
Trade debtors	**13,999**	10,934	**-**	-
Provision for bad debt	**(168)**	(105)	**-**	-
Net trade debtors	**13,831**	10,829	**-**	-
Amounts owed by related parties	**8,222**	4,852	**-**	
Other debtors	**8,240**	1,598	**-**	-
Prepayments and accrued income	**4,805**	18,591	**-**	-
	35,098	35,870	**-**	-

Trade debtors that are not impaired

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

	Group		Company	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016
	£000's	£000's	**£000's**	£000's
Neither past due nor impaired	**7,846**	7,785	**-**	-
Less than 1 month past due	**5,011**	2,928	**-**	-
1 to 3 months past due	**974**	116	**-**	-
Greater than 3 months past due	**-**	-	**-**	-
	13,831	10,829	**-**	-

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

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

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

Notes to Financial Statements *(continued)*

13 - Trade and other payables

	Group		Company	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016
	£000's	£000's	**£000's**	£000's
Current liabilities				
Trade creditors	**4,907**	21,633	**-**	-
Other taxation and social security	**2,854**	2,272	**-**	-
Other creditors	**25,291**	21,561	**-**	10
Amounts owed to parent company of the group	**300,806**	283,773	**290,056**	282,318
Amounts owed to group undertakings	**-**	-	**92,273**	89,644
Amounts owed to related parties	**213**	6,078	**-**	-
Accruals and deferred income	**11,105**	12,918	**-**	-
	345,176	348,235	**382,329**	371,972

14 - Borrowings

	Group	
	30 June 2017	30 June 2016
	£000's	£000's
Non-current		
Unsecured bank loan	**136,811**	136,323
7.875% fixed rate debenture stock - repayable 2022	**57,298**	57,615
	194,109	193,938

The value of the debentures shown above includes a fair value uplift of £2,130,000 *(2016: £2,484,000)* 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.

The bank loan is an unsecured 5-year £200m facility maturing in December 2019, £138m of which has been drawn-down. Both loans are listed on the London Stock Exchange.

Notes to Financial Statements *(continued)*

15 - Derivative financial instrument

	Group	
	30 June 2017	30 June 2016
	£000's	£000's
Fair value of interest rate swap	**6,240**	7,971
	6,240	7,971

A forward rate interest swap with a nominal value of £138m was entered for hedging purposes during 2015 for a 3 year tenor starting from December 2016. This interest swap is designated as a cash flow hedge with notional contractual amounts of £138m which requires the Group to pay a fixed interest rate of 2.47% and allows the Group to receive a variable rate equal to LIBOR on the notional amount. The forward interest rate swap is valued using valuation techniques with market observable inputs. The valuation technique is the swap model, using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve.

16 - Deferred tax

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

Group	**30 June 2016** £000's	Recognised in statement of comprehensive income £000's	Recognised in other comprehensive income £000's	Recognised in Equity £000's	**30 June 2017** £000's
Liabilities / (Assets)					
Employee benefits	**338**	1	(273)	-	66
Property assets	**13,203**	(1,641)	-	-	11,562
Losses	**(894)**	432	-	-	(462)
Interest rate swap	**(1,435)**	-	-	374	(1,061)
Other (FV)	**(496)**	135	-	-	(361)
Total	**10,716**	(1,073)	(273)	374	9,744

Notes to Financial Statements *(continued)*

16 - Deferred tax *(continued)*

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

Group	30 June 2015 £000's	Recognised in statement of comprehensive income £000's	Recognised in other comprehensive income £000's	Recognised in Equity £000's	30 June 2016 £000's
Liabilities / (Assets)					
Employee benefits	**1,301**	(25)	(938)	-	338
Property assets	**14,678**	(1,475)	-	-	13,203
Losses	**(1,116)**	222	-	-	(894)
Interest rate swap	-	-	-	(1,435)	(1,435)
Other (FV)	**(568)**	72	-	-	(496)
Total	**14,295**	(1,206)	(938)	(1,435)	**10,716**

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

Deferred tax assets are recognised on the basis that they will be absorbed by forecast future taxable profits. As at 30 June 2017, the Group has tax losses and other temporary differences of £10,031,000 *(2016: 4,508,000)* on which no deferred tax asset is recognised due to insufficient evidence that these amounts will be recovered in the foreseeable future.

17 - Provisions

Group

The movements in provisions were as follows:

	30 June 2015 £000's	Provisions made during the year £000's	Provisions utilised during the year £000's	30 June 2016 £000's	Provisions made during the year £000's	Provision utilised during the year £000's	30 June 2017 £000's
Provision	**1,873**	951	(2,293)	**531**	-	(531)	-

As at 30 June 2016 the Group was subject to one legal claim in relation to a property previously leased and operated by the Group. The provision as at 30 June 2016 represents costs claimed by the claimant in respect of the outstanding rent and other amounts under the lease. An onerous lease provision has not been recognised in relation to this property on the basis that, if the defence of the claim is not successful, the Group would seek to take ownership of the lease and trade profitably. Please refer to Note 25 for post balance sheet event update.

Notes to Financial Statements *(continued)*

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 and the Company manage financial risk within its general risk management philosophy and framework.

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

b) Liquidity risk

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

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

As at 30 June 2017	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	£000's	£000's	£000's	£000's	£000's	£000's
Group						
Non-derivative financial liabilities						
Secured debenture stocks	57,298	77,178	4,360	4,360	13,080	55,378
Unsecured bank loans	136,811	141,970	1,588	140,382	-	-
Trade and other payables	345,175	345,175	345,175	-	-	-
Derivative financial liabilities						
Derivative financial instrument	6,240	8,505	3,402	5,103	-	-
	545,524	**572,828**	**354,525**	**149,845**	**13,080**	**55,378**

Notes to Financial Statements *(continued)*

18 - Financial instruments *(continued)*

As at 30 June 2016	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	£000's	£000's	£000's	£000's	£000's	£000's
Group						
Non-derivative financial liabilities						
Secured debenture stocks	57,615	81,538	4,360	4,360	13,080	59,738
Unsecured bank loans	136,323	143,558	1,588	1,588	140,382	-
Trade and other payables	348,235	348,235	348,235	-	-	-
Derivative financial liabilities						
Derivative financial instrument	7,971	11,907	3,402	3,402	5,103	-
	550,144	585,238	357,585	9,350	158,565	59,738

c) *Credit risk*

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

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

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

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

d) *Interest rate risk*

The Group's interest rate risk arises from treasury activities and borrowings. Interest rate risk is managed by the treasury department within approved limits. The Group also uses interest rate swaps to manage its interest rate exposure as appropriate. As at 30 June 2016, the Group has an interest rate swap classified as cash flow hedges with notional contractual amounts of £138m (2016: £138m) which requires them to pay a fixed interest rate of 2.47% (2016: 2.47%) and allows them to receive a variable rate equal to LIBOR on the notional amount.

As at 30 June 2017, it is estimated that a general increase/decrease on 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit and total equity by approximately £544,000.

e) *Currency risk*

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

f) *Financial assets*

The Group's financial assets as at 30 June 2017 comprised of cash balances of £28,071,000 *(2016: £11,662,000)* and debtors of £35,098,000 *(2016: £35,870,000)*. There was no difference between the carrying value and the fair value of financial assets at 30 June 2017 *(2016: no difference)*.

The Company's financial assets as at 30 June 2017 comprised interest bearing cash balances of £Nil *(2016: £Nil)*, and receivables of £Nil *(2016: £Nil)*. There was no difference between the carrying value and the fair value of financial assets at 30 June 2017 *(2016: no difference)*.

Notes to Financial Statements *(continued)*

18 - Financial instruments *(continued)*

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 2016 and 30 June 2017.

h) Fair value of financial instruments

Disclose for financial assets and liabilities measured at fair value and categorised within Level 2 and Level 3 and those financial assets and liabilities not measured at fair value for which fair value is disclosed, a description of the valuation process used by the group, including, for example, how the group decides its valuation policies and procedures and analyses changes in fair value measurements from period to period. If there has been a change in the valuation technique the group shall disclose the change and the reason for making it.

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:

	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying amount	Fair value	Level 1	Level 2	Level 3
	2017	**2017**	**2017**	**2017**	**2017**	2016	2016	2016	2016	2016
	£000	**£000**	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000
Loans and receivables										
Cash and cash equivalents	28,071	28,071	-	28,071	-	11,662	11,662	-	11,662	-
Trade debtors (note 12)	13,999	13,999	-	13,999	-	10,934	10,934	-	10,934	-
Other debtors (note 12)	8,240	8,240	-	8,240	-	1,598	1,598	-	1,598	-
Pension plan assets (note 22)										
Equities	51,870	51,870	-	51,870	-	48,847	48,847	-	48,847	-
Bonds	45,961	45,961	-	45,961	-	45,175	45,175	-	45,175	-
Cash	277	277	-	277	-	451	451	-	451	-
Total financial assets	**148,418**	**148,418**	**-**	**148,418**	**-**	**118,667**	**118,667**	**-**	**118,667**	**-**
Financial liabilities held for trading										
Interest rate swaps (note 15)	(6,240)	(6,240)	-	(6,240)	-	(7,971)	(7,971)	-	(7,971)	-
Financial liabilities measured at amortised cost										
Trade creditors (note 13)	(4,907)	(4,907)	-	(4,907)	-	(21,633)	(21,633)	-	(21,633)	-
Other creditors (note 13)	(25,291)	(25,291)	-	(25,291)	-	(21,561)	(21,561)	-	(21,561)	-
Total financial liabilities	**(36,438)**	**(36,438)**	**-**	**(36,438)**	**-**	**(51,165)**	**(51,165)**	**-**	**(51,165)**	**-**
Total financial instruments	**111,980**	**111,980**	**-**	**111,980**	**-**	**67,502**	**67,502**	**-**	**67,502**	**-**

Notes to Financial Statements *(continued)*

18 - Financial instruments *(continued)*

Financial instruments measured at fair value	**Valuation technique**
Interest rate swaps	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

	Group and Company			
	Number of shares		**Nominal Value**	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016
Ordinary shares of £1 each	**No**	No	**£000's**	£000's
Issued and fully paid:				
At the beginning of the financial year	**37,000,002**	2	**37,000**	-
Issued Capital during the financial year	-	37,000,000	-	37,000
At the end of the financial year	**37,000,002**	37,000,002	**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 - 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.

21 - Retained earnings/ accumulated losses

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

The non-controlling interest balance of £1,911,000 *(2016: £1,833,000)* relates to the loss attributable to the other members of the Grand Imperial Restaurant LLP.

Notes to Financial Statements *(continued)*

22 - Retirement Benefit Obligations

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

The amounts recognised in the balance sheet have been determined by a qualified independent actuary by updating the latest full actuarial assessments of the schemes as at 1 May 2014 to 30 June 2017 and comprise:

	30 June 2017 £'000's	30 June 2016 £'000's	30 July 2015 £'000's	30 June 2014 £'000's	30 June 2013 £'000's
Fair value of Schemes' investment assets	**98,108**	94,473	92,057	85,619	77,860
Present value of unfunded obligations	**(97,657)**	(92,522)	(85,476)	(83,459)	(76,842)
Net surplus/ (deficit) in schemes	**451**	1,951	6,581	2,160	1,018

Statement of Financial Position Reconciliation

	30 June 2017 £000's	30 June 2016 £000's
Net asset at beginning of the year	**1,951**	6,581
Pension expense recognised in P&L in the financial year	**(118)**	94
Amounts recognised in OCI in the financial year subject to assets limit	**(4,343)**	(7,685)
Employer contributions made in the financial year	**2,961**	2,961
Net asset at the end of the year	**451**	1,951

The below table provides an estimate of contributions for the year ended 30 June 2018

	30 June 2018 £000's
Company contributions	**2,961**
Member contributions	**24**
Total	**2,985**

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

	30 June 2017 %	30 June 2016 %
Financial assumptions		
Discount rate	**2.65**	3.05
Inflation assumption (RPI)	**3.20**	2.85
Inflation assumption (CPI)	**2.10**	1.75
Rate of increase in salaries	**3.70**	3.35
Rate of increase to pensions in payment (RPI maximum 5% pa)	**3.05**	2.80
Rate of increase to pensions in payment (CPI maximum 3% pa)	**1.85**	1.70
Rate of increase to pensions in payment (CPI maximum 2.5% pa)	**1.70**	1.55
Demographic assumptions		
Life expectancy at age 65 of male member aged 65 at year-end	**22.3 years**	22.4 years
Life expectancy at age 65 of male member aged 45 at year-end	**23.7 years**	24.1 years

Notes to Financial Statements *(continued)*

22 - Retirement Benefit Obligations *(continued)*

Changes in the fair value of the Schemes' assets

	30 June 2017 £000's	30 June 2016 £000's
Fair value of Schemes' assets at start of the financial year	**94,473**	92,057
Net interest on Scheme assets	**2,882**	3,548
Remeasurement (loss)/gain on plan assets	**1,875**	(1,144)
Contributions from the Company	**2,961**	2,961
Contributions from members	**24**	23
Benefits paid	**(4,107)**	(2,972)
Fair value of Schemes' assets at end of the financial year	**98,108**	94,473

Analysis of Scheme assets

	30 June 2017 £000's	30 June 2016 £000's
Equities / Diversified Growth Fund	**51,870**	48,847
Bonds	**45,961**	45,175
Cash	**277**	451
Total market value of assets	**98,108**	94,473

All the schemes' assets are quoted on active investment 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' funded obligations

	30 June 2017 £000's	30 June 2016 £000's
Present value of the Schemes' obligation at the start of the financial year	**92,522**	85,476
Current service cost	**220**	208
Interest cost	**2,780**	3,246
Actuarial loss arising from changes in financial assumptions	**8,061**	8,582
Actuarial (gain) / loss arising from changes in demographic assumptions	**(1,526)**	(1,030)
Actuarial gain arising from experience	**(317)**	(1,011)
Contributions from members	**24**	23
Benefits paid	**(4,107)**	(2,972)
Present value of the Schemes' obligation at the end of the financial year	**97,657**	92,522

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

	Increase/(decrease) £000's
Discount rate:	
0.1 percentage point increase	1,550
0.1 percentage point decrease	(1,590)
Inflation:	
0.1 percentage point increase	(710)
0.1 percentage point decrease	720
Life expectancy:	
One-year increase	(4,200)
One-year decrease	4,200

Notes to Financial Statements *(continued)*

22 - Retirement Benefit Obligations *(continued)*

Amounts recognised in the Statement of Comprehensive Income

	Year ended 30 June 2017 £000's	Year ended 30 June 2016 £000's
Included in operating costs:		
Current service cost	**220**	208
Included in financing costs:		
Net interest receivable on the Scheme's surplus	**(102)**	(302)
Pension expense recognised in profit and loss	**118**	(94)
Included in other comprehensive income:		
Return on plan assets in excess of that recognised in net interest	**(1,875)**	1,144
Actuarial loss arising from changes in financial assumptions	**8,061**	8,582
Actuarial (gain) / loss arising from changes in demographic assumptions	**(1,526)**	(1,030)
Actuarial gain arising from experience	**(317)**	(1,011)
Total loss / (gain) recognised in other comprehensive income	**4,343**	7,685
Total loss / (gain) recognised in the Statement of Comprehensive Income	**4,461**	7,591

Defined contribution pension schemes

The Group operates defined contribution pension schemes for certain employees. Costs for the financial year amounted to £451,000 *(2016: £493,000)*.

23 - Related party transactions

Group

Management fees of £1,262,000 *(2016: £1,282,000)* are payable to GGMC Limited, a member of the Hong Leong Group. The amount accrued but unpaid at the year-end amounted to £1,116,000 *(2016: £1,202,000)*.

Purchases of £Nil *(2016: £2,000)* furniture from Hume Furniture Sdn, a member of the Hong Leong Group. The amount invoiced but unpaid at the year-end amounted to £Nil *(2016: £Nil)*.

Income of £290,000 *(2016: £290,000)* from GLH Hotels Management (UK) Limited 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. These transactions were fully recharged and amounted to £125,000 *(2016: £171,000)*.

Annual rent of £14,250,000 *(2016: £14,250,000)* is due to GLH RHG Limited and GLH KG Limited, both of which are controlled by GLH Hotels Group Limited.

Interest of £7,739,000 *(2016: £7,593,000)* is due to GLH Hotels Group Limited in respect of a loan balance.

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

	Year ended 30 June 2017 £000's	Year ended 30 June 2016 £000's
Interest expense on group balances	**(10,357)**	(11,986)
Management fees	**(27,026)**	(25,878)

The net movements from these transactions are accumulated in the amounts owed to or from the parent Company, Group companies, and related parties are shown in Notes 12 and 13.

Notes to Financial Statements *(continued)*

23 - Related party transactions *(continued)*

Company
Interest of £7,739,000 *(2016: £7,593,000)* is due to GLH Hotels Group Limited in respect of a loan balance.

Interest of £2,616,000 *(2016: £4,393,000)* is due to GLH Hotels Limited in respect of a loan balance.

	Receivable 30 June 2017 £000's	Receivable 30 June 2016 £000's
Amounts owed by related parties		
GLH Hotels Management (UK) Limited	**5,103**	4,023
GLH RHG Limited	**2,469**	-
GLH KG Limited	**650**	-
GLH IP Holdings Limited	**-**	268
GLH Hotels Management (Malaysia) Sdn. Bhd.	**-**	687
GLH Management Group Pte Limited	**-**	(126)
	8,222	4,852

	Payable 30 June 2017 £000's	Payable 30 June 2016 £000's
Amounts owed to parent companies of the group		
GL Limited	**300,806**	283,773
	300,806	283,773
Amounts owed to related parties		
GLH IP Holdings Limited	**213**	-
GLH RHG Limited	**-**	1,235
GLH KG Limited	**-**	4,843
	213	6,078

24 - Financial commitments

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

	30 June 2017		30 June 2016	
	Property £000's	**Plant and Equipment £000's**	Property £000's	Plant and Equipment £000's
Payments which fall due				
Within one year	**49,589**	**749**	47,890	306
In the second to fifth years inclusive	**205,600**	**68**	214,935	128
After five years	**932,996**	**-**	815,254	-
Total payable over the life of the leases	**1,188,185**	**817**	1,078,079	434

	30 June 2017 £'000's	30 June 2016 £000's
Capital commitments		
Contracted for but not provided in the accounts	**20,216**	1,841

Notes to Financial Statements *(continued)*

25 – Post balance sheet event

On 23 February, Royal Assent was given to the HS2 rail line and the Government issued a Compulsory Purchase Order for the Euston Hotel which was closed on 4 October 2017. We have appointed an external advisor, Gerald Eve to support us in forming our compensation claim.

As Euston hotel is no longer a going concern, we have reclassified the net book value of its non-current assets £6,742,000 at 30 June 2017 to current assets.

26 - Accounting estimates and judgements

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

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

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

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

- Note 10 – Investments – Investments in subsidiaries are held at the lower of investment and net asset value.

- Note 9 – Property, plant and equipment - Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment and intangible assets. The selection of these residual values and estimated lives requires the exercise of judgement. The Company is required to assess whether there is indication of impairment to the carrying value of assets. In making that assessment, judgements are made in estimating value in use. The directors consider that the individual carrying values of assets are supportable by value in use.

    - WACC Rate – 7.78% (post tax rate); A WACC range of 7.1 – 8.3% was considered a reasonable range for the group. The WACC was calculated based on the debt – equity ratio, cost of equity and cost of debt with an unchanged Beta and market risk premium from the prior year. The key judgements being applied being the beta and market risk premium remaining unchanged. In all hotels except Tower, a WACC of over 11% would result in headroom to be reduced to NIL in some of the hotels. A WACC of 11% would be considered highly unlikely as it would be significantly greater than the WACC of 7.78%. The Tower Hotel would need to increase its WACC to 9.7% to indicate a required impairment.
    - 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 inititative set at a group level. Based on these factors the group will determine the expected uplift in the hotels.

The directors consider that the individual carrying values of assets are supportable by value in use.

- Note 16 - Deferred tax assets – Represents the extent to which future profits are expected to be offset by losses in the foreseeable future. The Company recognises expected liabilities and assets for tax based on an estimation of the likely taxes affect, which requires judgement as to the ultimate tax determination of certain items.

27 - Parent and ultimate parent undertakings and controlling parties

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

GLH Hotels Group Limited is a wholly owned subsidiary of GL Limited, a company registered in Bermuda and listed on the Singapore Stock Exchange.

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.