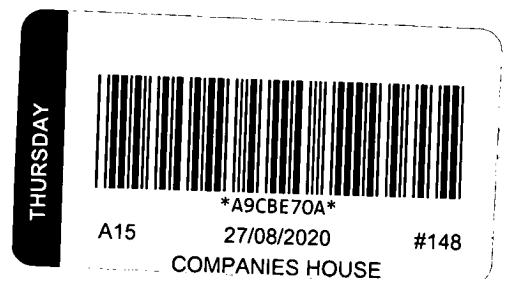


39 QGG Management Limited

Annual report and financial statements

Registered number 05966262

30 September 2019



Contents

Company Information	1
Directors' report	2
Statement of directors' responsibilities in respect of the annual report and the financial statements	4
Independent auditor's report to the members of 39 QGG Management Limited	5
Profit and loss account	7
Balance sheet	8
Statement of changes in equity	9
Notes	10

Company Information

Directors

Mr GFJ Bakker
Mr KS Chia
Ms MF Foo (appointed 15 May 2019)
Mr PS Choe (resigned 15 May 2019)

Company secretary

Ms Diana Ndirwa

Business address

39B Queensgate Gardens
London
SW7 5RR

Registered office

3rd Floor
95 Cromwell Road
London
SW7 4DL

Auditors

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Directors' report

The directors present their report and financial statements for the year ended 30 September 2019.

Principal activities

The principal activity of the company during the year was the operation of serviced apartments.

In 2014 the Company (the "Master Lessee") entered into a master lease agreement with FHT London 2 Limited to lease Fraser Suites Queens Gate, together with the plant and equipment and the furniture, fixtures, furnishings and equipment ("FF&E") therein (the "Property"). The term of the Master Lease Agreement in respect of Fraser Suites Queens Gate is for 20 years from 14 July 2014 with an option for the Master Lessee to obtain an additional lease for a further 20 years including an option to renew on the same terms and conditions, save for amendments which FHT London 2 Limited may require due to change in law and excluding any further option to renew.

Under the terms of master lease agreements, the annual lease payment comprises:

- a fixed rent of £1,800,000; and
- a variable rent component based on 20% of the gross operating revenue for the fiscal year and 67% of the gross operating profit for the fiscal year, plus any unutilised balance in the FF&E reserve which is not carried forward to the following fiscal year by mutual agreement of the Company and FHT London 2 Limited, less fixed rent. Should the calculation of the variable rent yields a negative figure, the variable rent will be deemed zero.

Master lease payments for the financial year ended 30 September are as follows:

	1 Oct 18 – 30 Sep 19 Fraser Suites Queens Gate £	1 Oct 17 – 30 Sep 18 Fraser Suites Queens Gate £
Adjusted Gross Operating Revenue ("GOR")	6,107,397	5,720,900
Adjusted Gross Operating Profit ("GOP")	3,892,371	3,718,124
Fixed rent	1,800,000	1,800,000
Variable rent	2,029,368	1,883,882
	<u>3,829,368</u>	<u>3,683,882</u>

Dividend

An interim dividend of £nil (2018: £nil) was paid in the year. The directors do not recommend the payment of a final dividend (2018: £nil).

Directors

The directors who held office during the year and to the date of this report were as follows:

Mr GFJ Bakker
 Mr KS Chia
 Mr PS Choe (resigned 15 May 2019)
 Ms MF Foo (appointed 15 May 2019)

Certain directors benefitted from qualifying indemnity provisions in place during the financial year.

Directors' report *(continued)*

Disclosure of information to auditor

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

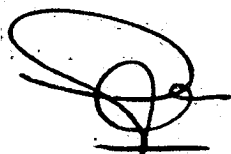
Covid-19

The directors acknowledge that the outbreak of the COVID-19 virus is expected to have a significant impact on the company's performance. Following UK government guidance, Fraser Suites Queens Gate closed for business in March 2020 but re-opened in July 2020 as Government lockdown measures eased. The full impact of the pandemic on the performance of the business will depend on the duration and severity of the Government measures, including any future lockdown, the state of mind of the public in general and the state of the overall economy as a result, most pertinently how it impacts leisure and business customers' demand for our range of services provided at the property. The directors continue to monitor the situation closely and have implemented measures to minimise the impact of this risk but remain confident in the long-term fundamentals of the market the company operates in and do not believe that the outbreak will impact the viability of the business.

Auditor

KPMG LLP has indicated its willingness to continue in office and a resolution to reappoint it as auditor will be proposed at the next annual general meeting.

On behalf of the Board



GFJ Bakker
Director

Registered Office:

3rd Floor
95 Cromwell Road
London
SW7 4DL

Dated: 13th August 2020

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of 39 QGG Management Limited

Opinion

We have audited the financial statements of 39 QGG Management Limited ("the company") for the year ended 30 September 2019 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

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

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

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



Independent auditor's report to the members of 39 QGG Management Limited

(continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare the strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Mark Flanagan (*Senior Statutory Auditor*)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham, NG1 6FQ

Dated: 19 August 2020

Profit and loss account
for the year ended 30 September 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	6,107	5,721
Cost of sales		(3,873)	(3,724)
Gross profit		<u>2,234</u>	<u>1,997</u>
Administrative expenses		(2,325)	(2,058)
Operating loss and loss before taxation	3	(91)	(61)
Tax on loss	6	5	(4)
Loss for the financial year		<u><u>(86)</u></u>	<u><u>(65)</u></u>

In both the current and prior year, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or prior year other than the result shown above. Accordingly, no statement of other comprehensive income is presented.

Balance sheet
at 30 September 2019

	<i>Note</i>	2019 £000	2018 £000
Fixed assets			
Tangible assets	7	-	-
Current assets			
Inventory	8	3	2
Debtors (including £223,000 (2018: £218,000) due after more than one year)	9	695	729
Cash at bank and in hand		1,801	1,651
		<hr/> 2,499	<hr/> 2,382
Creditors: amounts falling due within one year	10	<hr/> (5,159)	<hr/> (4,956)
Net liabilities		<hr/> (2,660)	<hr/> (2,574)
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account		<hr/> (2,660)	<hr/> (2,574)
Shareholders' deficit		<hr/> (2,660)	<hr/> (2,574)

These financial statements were approved by the board of directors on 13th August 2020 and were signed on its behalf by:



GFJ Bakker
Director

Company registered number: 05966262

The notes form an integral part of the financial statements.

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2017	-	(2,509)	(2,509)
Total comprehensive income for the period			
Loss for the year	-	(65)	(65)
	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2018	-	(2,574)	(2,574)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2018	-	(2,574)	(2,574)
Total comprehensive income for the period			
Loss for the year	-	(86)	(86)
	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2019	-	(2,660)	(2,660)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

39 QGG Management Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 05966262 and the registered address is 3rd Floor, 95 Cromwell Road, London, SW7 4DL.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's intermediate parent undertaking, Frasers Property Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Frasers Property Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address given in note 15.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Frasers Property Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 16 Leases (effective date 1 January 2019). IFRS 16 replaces existing lease accounting guidance. IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company plans to adopt the standard from the financial year beginning on 1 October 2019 and expects to apply the standard using the modified retrospective approach. The Company is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application of 1 October 2019. Accordingly, existing lease contracts that are still effective on 1 October 2019 continue to be accounted for as lease contracts under IFRS 16. The approximate financial impact of the standard is still unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases, including renewal options and exemptions for short-term leases. The Company expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under IFRS 16. Such operating lease commitments amount to approximately £26,605,000 as at 30 September 2019 on an undiscounted basis. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using an appropriate discount rate. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge of the ROU assets and interest expense on the lease liabilities.

Notes (continued)

1 Accounting policies (continued)

- Amendments to References to the Conceptual Framework in IFRS Standards (effective date to be confirmed).

The following Adopted IFRSs have been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial instruments (effective date 1 January 2018). This standard replaces IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018). This standard replaces IAS 18, 'Revenue' and IAS 11 'Construction contracts' and related interpretations. It establishes principles for reporting the nature, amount and timing of revenue arising from an entity's contracts with customers.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

Notwithstanding net current liabilities of £2,660,000 as at 30 September 2019 and a loss for the year then ended of £86,000, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

The Covid-19 outbreak is expected to have a significant impact on the business. Following the issuance of UK government guidance, the majority of properties across the UK Frasers group were closed by the end of the week commencing 23 March 2020. The directors of the Company have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. These updated forecasts include severe but plausible downsides related to the Covid-19 outbreak, including a significant period of no revenue due to property closures and a slow return to previous experienced levels of trading.

The Company is ultimately owned by Frasers Property Limited ('FPL'), which is listed on the Singapore Exchange.

Those forecasts are dependent on the company's fellow subsidiaries and some related parties of Frasers Property Limited ("FPL") not seeking repayment of the amounts currently due by the company, which at 30 September 2019 amounted to £4,282,000, and FPL providing additional financial support during that period. These fellow companies and related parties are ultimately reliant on the support of FPL. FPL has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts, and the company's fellow subsidiaries and related parties have indicated that they do not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies 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. 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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Financial instruments (policy applicable from 1 October 2018)

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Cash and cash equivalents

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

Notes (continued)

1 Accounting policies (continued)

1.4 Financial instruments (policy applicable from 1 October 2018) (Continued)

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in 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.

(iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Notes (continued)

1 Accounting policies (continued)

1.4 Financial instruments (policy applicable from 1 October 2018) (Continued)

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.5 Classification of financial instruments issued by the Company

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

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

1.6 Non-derivative financial instruments

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

Trade and other debtors

Trade and other debtors 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 creditors

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

Notes (continued)

1 Accounting policies (continued)

1.6 Financial instruments (policy applicable from 1 October 2018) (Continued)

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.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Fixtures and fittings	- 20% straight line
Computer equipment	- 33.33% straight line
Property redecorations	- 33.33% straight line

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

1.8 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.

1.9 Impairment excluding stocks

Financial assets (including trade and other debtors)

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. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. 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 Company's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

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.

Notes (continued)

1 Accounting policies (continued)

1.10. Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts where applicable.

1.11. Expenses

Interest payable

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

1.12. Taxation

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

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. 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.

2 Turnover

All turnover is generated in the United Kingdom and derives from the rendering of services in relation to the principal activity of the Company.

3 Auditor's remuneration

	2019 £000	2018 £000
Audit of these financial statements	5	5
Amounts receivable by the company's auditor and its associates in respect of: Taxation compliance services	3	3

4 Staff numbers and costs

	2019 Number	2018 Number
<i>The average number of persons employed, including directors, during the year was as follows:</i>		
Administrative staff	13	12
	<hr/>	<hr/>
	2019 £000	2018 £000
<i>Staff costs during the year were:</i>		
Wages and salaries	398	409
Social security costs	29	29
Other pension costs	10	6
	<hr/>	<hr/>
	437	444
	<hr/>	<hr/>

Notes (continued)

5 Directors' remuneration

The directors of the company are also directors or officers of a number of the companies within the group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 30 September 2019 or 30 September 2018.

6 Taxation

Recognised in the profit and loss account

	2019		2018
	£000	£000	£000
<i>UK corporation tax</i>			
Current tax on income for the period	-	-	-
<i>Deferred tax (note 11)</i>			
Origination and reversal of temporary differences	5		11
Adjustment in respect of prior year	(10)		(7)
	<u> </u>	<u> </u>	<u> </u>
		(5)	4
Tax on (loss) / profit on ordinary activities		<u> </u>	<u> </u>
		(5)	4

Reconciliation of effective tax rate

	2019	2018
	£000	£000
Loss for the year	(86)	(65)
Total tax (credit)/expense	(5)	4
	<u> </u>	<u> </u>
Loss excluding taxation	(91)	(61)
	<u> </u>	<u> </u>
Tax using the UK corporation tax rate of 19 % (2018: 19%)	(17)	(12)
Permanent differences	-	14
Movement in deferred tax not recognised	21	8
Adjustment in respect of prior years	(10)	(7)
Reduction in tax rate on deferred tax balances	2	1
Other timing differences	(1)	-
	<u> </u>	<u> </u>
Total tax expense	(5)	4

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 30 September 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge.

Notes (continued)

7 Tangible fixed assets

	Fixtures and fittings £000	Equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1 October 2018 and 30 September 2019	1,076	82	182	1,340
Depreciation and impairment				
At 1 October 2018 and 30 September 2019	1,076	82	182	1,340
Net book value				
At 30 September 2019 and 1 October 2018	-	-	-	-

8 Inventories

	2019 £000	2018 £000
Consumables	3	2

9 Debtors

	2019 £000	2018 £000
Trade debtors	88	137
Amounts owed by group undertakings	349	349
Other debtors	35	25
Deferred tax (note 11)	223	218
	695	729
Due within one year	472	511
Due after more than one year	223	218
	695	729

Amounts owed by group undertakings are interest free and repayable on demand.

Notes (continued)

10 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	3	12
Amounts owed to group and related undertakings	4,282	4,273
Other creditors	874	671
	<u>5,159</u>	<u>4,956</u>

Amounts owed to group undertakings are interest free and repayable on demand.

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Tax value of loss carry-forwards	(223)	(218)	-	-	(223)	(218)
Other	-	-	-	-	-	-
	<u>(223)</u>	<u>(218)</u>	<u>-</u>	<u>-</u>	<u>(223)</u>	<u>(218)</u>
Tax assets	(223)	(218)	-	-	(223)	(218)
	<u>(223)</u>	<u>(218)</u>	<u>-</u>	<u>-</u>	<u>(223)</u>	<u>(218)</u>
Net tax assets	(223)	(218)	-	-	(223)	(218)
	<u>(223)</u>	<u>(218)</u>	<u>-</u>	<u>-</u>	<u>(223)</u>	<u>(218)</u>

Movement in deferred tax during the current and prior year

	1 October 2017 £000	Recognised in income £000	1 October 2018 £000	Recognised in income £000	30 September 2019 £000
Tax value of loss carry-forwards utilised	(222)	4	(218)	(5)	(223)
Other	-	-	-	-	-
	<u>(222)</u>	<u>4</u>	<u>(218)</u>	<u>(5)</u>	<u>(223)</u>

Notes (continued)

12 Capital and reserves

Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1
	<hr/>	<hr/>
Shares classified in shareholders' funds	1	1
	<hr/>	<hr/>

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.

Dividends

No dividends were paid during the period (2018: £nil). After the balance sheet date dividends of £nil (2018: £nil) were proposed by the directors.

13 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	1,800	1,800
Between one and five years	7,200	7,200
More than five years	17,605	19,405
	<hr/>	<hr/>
	26,605	28,405
	<hr/>	<hr/>

During the year £1,800,000 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £1,800,000).

14 Related parties

Fairdace Limited is a fellow subsidiary of Frasers Property Limited and, at the year end, the Company was owed £339,000 (2018: £349,000) from this company.

Queensgate Gardens (C.I.) Limited is a fellow subsidiary of Frasers Property Limited and at the year end, the Company owes £3,887,000 (2018: £3,905,000) to this company.

Frasers Hospitality (UK) Limited is a fellow subsidiary of Frasers Property Limited and, at the year end, the Company owes £200,000 (2018: £170,000) to this company.

FHT London 2 Limited is a fellow subsidiary of TCC Assets Limited and, at the year end, the Company owes £192,000 (2018: £185,000) to this company.

Frasers Hospitality Loyalty Services Pte Ltd, is a fellow subsidiary of Frasers Property Limited and, at the year end, the Company owes £13,000 (2018: £13,000) to this company.

Notes (continued)

15 Ultimate parent company and parent company of larger group

At the year end the company is a wholly-owned subsidiary of Frasers Hospitality Holdings Pte Limited, a company registered in Singapore.

The company's ultimate parent undertaking and controlling party is TCC Assets Limited, a company incorporated and registered in Thailand.

The smallest group for which consolidated financial statements are prepared is headed by Frasers Property Limited. Copies of the financial statements of Frasers Property Limited can be obtained from: Frasers Property Limited, 438 Alexandra Road, Alexandra Point, Singapore 119958.

The largest group for which consolidated financial statements are prepared is headed by TCC Assets Limited.

16 Accounting estimates and judgements

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

17 Post balance sheet events

Subsequent to the year end, the impact of Covid-19 on the business was significant, resulting in the closure of Fraser Suites Queens Gate in March 2020 following UK government guidance. The property re-opened for business in July 2020 as the Government lockdown measures eased. The consequence of Covid-19 is considered a non-adjusting balance sheet event given that the impacts were not known as at the balance sheet date with properties only beginning to reopen in July 2020. Therefore no adjustments have been made to the financial statements.