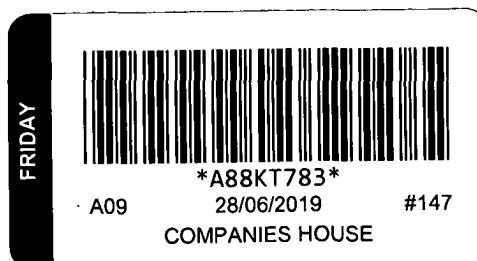


**Malmaison and Hotel du Vin Property  
Holdings Limited**

**Annual report and financial  
statements**

**Registered number 05990905**

**30 September 2018**



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## **Strategic report**

The directors present the strategic report and financial statements for the year ended 30 September 2018.

### **Review of the business**

The principal activity of the Company continues to be that of property investment.

### **Risk management**

The Board and Senior Executive team of the wider Group identify and evaluate risks and uncertainties in the period covered by its Business Plan and design controls to mitigate these. Responsibility for management of each key risk is identified and delegated to specific executives within the business. As a company operating in the hospitality industry, areas of risk specific to the Company include those involving Market Risk, Health & Safety Risk and Financial Risk. A review of the impact on the Group and therefore the Company and the measures in place to mitigate those risks are detailed below:

#### *Market Risk - Loss of market share through competitor activity*

Mitigation controls are in place to outperform the competition and are developed both at a strategic brand level and at a tactical local level. Market information is available to establish position and to enable actions through pricing decisions and sales activities to maintain market position.

#### *Health & Safety Risk - Serious injury as a result of Company negligence*

The Group engages a third party health and safety audit company which is independent of the group to carry out regular health and safety site audits to ensure adherence with all current policies and procedures.

#### *Financial Risk - Impact of economic factors that affect our customers or our costs*

Mitigation controls to financial risks because of the broader general economic factors and their impact are managed through our ability to be flexible with our customer base and react swiftly to change in our cost base.

#### *Position at year-end*

The Directors consider the Company's financial position at the year end to be satisfactory given the current economic conditions.

#### *Brexit Risk*

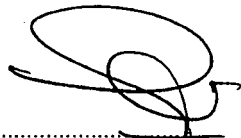
The Group has considered the impact of Brexit and whether it represents a change to principal risks in of itself or indirectly by manifesting itself within other risks such as increased foreign exchange risk. The Directors have undertaken a review of the potential impacts and do not foresee a material change to the risks already faced by businesses in the hospitality sector. The Group has contacted key suppliers with significant trade of raw materials imported from the EU and have been given copies of detailed plans that can be implemented to counteract any disruption in the supply chain that may occur as a consequence of a "no-deal" Brexit. The Group considers that while its future performance may be affected by Brexit, it will be through its manifestation in the principal risks already mitigated by the controls it has in place.

## **Strategic report** *(continued)*

### **Key performance indicators**

Key performance indicators ("KPI's") are set by the Board at both Group and Company level. They are set across both financial and non-financial areas of the business to assist in giving a balanced outcome. At Company level the indicators will include targets for sales and profit growth along with the maintenance and improvement of Brand Standards. There are no relevant KPI's set for this entity at company level. Its performance is measured as part of the Group as a whole.

On behalf of the board



**G Bakker**  
*Director*

Dated: 27 June 2019

## **Directors' report**

The directors present their report and financial statements for the year ended 30 September 2018.

### **Results and dividends**

The results for the period are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### **Directors**

The directors who held office during the period and up to the date of signature of the financial statements was as follows:

G Bakker  
P S Choe (resigned 14 May 2019)  
T C Koh (appointed 15 May 2019)

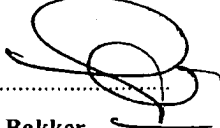
### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditor**

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

On behalf of the board



**G Bakker**  
Director

Dated: 27 June 2019

## **Statement of director's responsibilities**

The directors are responsible for preparing the Strategic Report, 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 Malmaison and Hotel Du Vin Property Holdings Limited**

### **Opinion**

We have audited the financial statements of Malmaison and Hotel Du Vin Property Holdings Limited ("the company") for the year ended 30 September 2018 which comprise the profit and loss account, the balance sheet, the 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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.

### **The impact of uncertainties due to Britain exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **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, including the impact of Brexit, 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.

### **Strategic report and directors' report**

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

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



## **Independent auditor's report to the members of Malmaison and Hotel Du Vin Property Holdings Limited (continued)**

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

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

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

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

We have nothing to report in 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](http://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,  
Chartered Accountants, Statutory Auditor  
31 Park Row  
Nottingham  
England  
NG1 6FQ

Dated: 28 June 2019



**Profit and loss account**  
*for the year ended 30 September 2018*

|   | <i>Note</i> | <b>2018</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> |
|---|-------------|----------------------------|----------------------------|
| <b>Turnover</b>                             | 3           | <b>11,959</b>              | 15,340                     |
| Administrative expenses                     |             | <b>(6,160)</b>             | (4,583)                    |
| <b>Operating profit</b>                     | 4           | <b>5,799</b>               | 10,757                     |
| Interest income                             | 6           | -                          | 62                         |
| Interest expense                            | 7           | <b>(6,395)</b>             | (5,912)                    |
| <b>(Loss)/profit before taxation</b>        |             | <b>(596)</b>               | 4,907                      |
| Tax on (loss)/profit                        | 9           | -                          | -                          |
| <b>(Loss)/profit for the financial year</b> |             | <b>(596)</b>               | 4,907                      |

All activity derives from continuing operations.

The Company has no recognised gains and losses other than those above and therefore no separate statement of other comprehensive income has been presented.

**Balance sheet**  
*as at 30 September 2018*

|   | Note | 2018<br>£000     | 2017<br>£000     |
|---|------|------------------|------------------|
| <b>Fixed assets</b>                                   |      |                  |                  |
| Tangible fixed assets                                 | 10   | 24,960           | 14,824           |
| Investment property                                   | 11   | 214,799          | 214,714          |
| Investments   | 12   | 37,055           | 37,055           |
|   |      | <u>276,814</u>   | <u>266,593</u>   |
| <b>Current assets</b>                                 |      |                  |                  |
| Trade and other receivables                           | 14   | 281,458          | 278,519          |
| Cash at bank and in hand                              |      | 604              | -                |
|   |      | <u>282,062</u>   | <u>278,519</u>   |
| <b>Creditors: amounts falling due within one year</b> |      |                  |                  |
| Trade and other payables                              | 15   | (453,913)        | (439,553)        |
|   |      | <u>(453,913)</u> | <u>(439,553)</u> |
| <b>Net current liabilities</b>                        |      | <u>(171,851)</u> | <u>(161,034)</u> |
| <b>Total assets less current liabilities</b>          |      | <u>104,963</u>   | <u>105,559</u>   |
| <b>Net assets</b>                                     |      | <u>104,963</u>   | <u>105,559</u>   |
| <b>Capital and reserves</b>                           |      |                  |                  |
| Called up share capital                               | 16   | 10               | 10               |
| Share premium account                                 |      | 76,067           | 76,067           |
| Profit and loss account                               |      | 28,886           | 29,482           |
| <b>Total equity</b>                                   |      | <u>104,963</u>   | <u>105,559</u>   |

The financial statements were approved by the Board of directors and authorised for issue on 27 June 2019

Signed on its behalf by:

  
**G Bakker**  
*Director*

Company Registration No. 05990905

## Statement of changes in equity

|  | Share capital<br>£000 | Share<br>premium<br>account<br>£000 | Retained<br>earnings<br>£000 | Total<br>£000  |
|--|-----------------------|-------------------------------------|------------------------------|----------------|
| Balance at 1 October 2016                            | 10                    | 76,067                              | 24,575                       | 100,652        |
| Profit and total comprehensive income for the period | -                     | -                                   | 4,907                        | 4,907          |
| <b>Balance at 30 September 2017</b>                  | <b>10</b>             | <b>76,067</b>                       | <b>29,482</b>                | <b>105,559</b> |

|  | Share capital<br>£000 | Share<br>premium<br>account<br>£000 | Retained<br>earnings<br>£000 | Total<br>£000  |
|--|-----------------------|-------------------------------------|------------------------------|----------------|
| Balance at 1 October 2017                          | 10                    | 76,067                              | 29,482                       | 105,559        |
| Loss and total comprehensive income for the period | -                     | -                                   | (596)                        | (596)          |
| <b>Balance at 30 September 2018</b>                | <b>10</b>             | <b>76,067</b>                       | <b>28,886</b>                | <b>104,963</b> |

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

#### ***Company information***

Malmaison and Hotel du Vin Property Holdings Limited is a company limited by shares incorporated in England and Wales. The registered number is 05990905 and the registered office is 3<sup>rd</sup> Floor, 95 Cromwell Road, London, SW7 4DL.

#### ***1.1 Accounting convention***

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Frasers Hospitality UK Holdings Limited in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Frasers Hospitality UK Holdings Limited, which indirectly owns 100% of the issued share capital of the Company. The group accounts of Frasers Hospitality UK Holdings Limited are available to the public and can be obtained from 3<sup>rd</sup> Floor, 95 Cromwell Road, London, SW7 4DL.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.2 Going concern**

Notwithstanding net current liabilities of £171,851,000 as at 30 September 2018 and a loss for the year then ended of £596,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company is a wholly owned subsidiary of the Frasers Hospitality UK Holdings Limited group ('the Parent'). The Parent Company has an external loan facility of £300,000,000 which is due for repayment in June 2020. There are no concerns over compliance with the financial covenants. The Parent Company itself is wholly owned by Frasers Property Limited ('FPL'), which is listed on the Singapore Exchange. The Parent Company external loan facility is subject to a guarantee from FPL.

The directors of the Company and Parent Company have prepared cash flow forecasts, which take into account reasonably possible downsides, for a period of at least 15 months from the date of approval of these financial statements. Those forecasts are dependent on FPL providing additional financial support to enable the Company to meet its liabilities as they fall due during that period. FPL has indicated its intention to continue to make available such funds as are needed by the company and the Parent Company 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.

#### **1.3 Turnover**

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term. The rental income is recognised as turnover.

#### **1.4 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

No depreciation is charged on assets under construction, when they are ready for their intended use, they are transferred and depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

#### **1.5 Investment properties**

Investment property, which is property held to earn rentals is held at cost less depreciation and any recognised impairment losses.

Depreciation is provided at rates calculate to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

|                                  |                             |
|----------------------------------|-----------------------------|
| Property                         | - straight 50 years         |
| Fixtures, fittings and equipment | - straight line 3 -10 years |

#### **1.6 Fixed asset investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.7 Impairment of tangible and intangible assets**

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **1.8 Fair value measurement**

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

#### **1.9 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### **1.10 Financial assets**

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

#### **Loans and receivables**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.10 Financial assets (continued)**

##### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

##### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

#### **1.11 Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

##### *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

#### **1.12 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### **2 Critical accounting estimates and judgements**

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

##### *Impairment of tangible fixed assets and investment property*

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

##### *Repayment of intercompany debtors and creditors*

The company has received/given assurance from/to relevant group companies that amounts due will not be recalled unless the Company has the financial resources to do so.

## Notes (continued)

### 3 Turnover

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

### 4 Operating profit

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Operating profit for the period is stated after expensing: |              |              |
| Audit of financial statements of the company               | 1            | 1            |
| Audit related assurance services                           | 1            | 1            |
| Tax compliance services                                    | 5            | 5            |
| Depreciation of property, plant and equipment              | -            | -            |
| Depreciation of investment property                        | 4,923        | 3,581        |
|  | <u>4,923</u> | <u>3,581</u> |

### 5 Director's remuneration

None of the directors received any emoluments in respect of their services as directors of the Company during the year ended 30 September 2018. The remuneration of the directors is paid by other entities outside of this Group. The directors act in a group capacity only and do not allocate specific time to any Company. The value of any time spent on services provided to the Company is not considered material.

### 6 Investment income

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Interest on bank deposits                | -            | 1            |
| Interest receivable from group companies | -            | 61           |
|  | <u>-</u>     | <u>61</u>    |
| Total income                             | <u>-</u>     | <u>62</u>    |

Total interest income for financial assets that are not held at fair value through profit or loss is £nil (2017: £1,119).

### 7 Finance costs

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| <i>Interest on financial liabilities measured at amortised cost:</i> |              |              |
| Interest payable to group undertakings                               | 6,395        | 5,912        |
|  | <u>6,395</u> | <u>5,912</u> |

### 8 Director's remuneration

None of the directors received any emoluments in respect of their services as directors of the Company during the year ended 30 September 2018. The remuneration of the directors is paid by other entities outside of this Group. The directors act in a group capacity only and do not allocate specific time to any Company. The value of any time spent on services provided to the Company is not considered material.



## Notes (continued)

### 9 Taxation

#### Recognised in the income statement

|                             | 2018<br>£000 | 2017<br>£000 |
|-----------------------------|--------------|--------------|
| <i>Current tax expense</i>  |              |              |
| Current year                | -            | -            |
|                             | <hr/>        | <hr/>        |
| Current tax expense         | -            | -            |
|                             | <hr/>        | <hr/>        |
| <i>Deferred tax expense</i> |              |              |
| Current year                | -            | -            |
|                             | <hr/>        | <hr/>        |
| Deferred tax expense        | -            | -            |
|                             | <hr/>        | <hr/>        |
| Total tax expense           | -            | -            |
|                             | <hr/> <hr/>  | <hr/> <hr/>  |

#### Reconciliation of effective tax rate

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Loss for the year   | (596)        | 4,907        |
| Total tax (income)/expense                                  | -            | -            |
|   | <hr/>        | <hr/>        |
| Loss excluding taxation                                     | (596)        | 4,907        |
|   | <hr/>        | <hr/>        |
| Tax using the UK corporation tax rate of 19 % (2017: 19.5%) | (113)        | 957          |
| Group relief  | -            | (1,893)      |
| Ineligible depreciation                                     | -            | 698          |
| Non-deductible expenses                                     | 1,068        | 238          |
| Recognition of previously unrecognised tax losses           | (955)        | -            |
|   | <hr/>        | <hr/>        |
| Total tax (income)/expense                                  | -            | -            |
|   | <hr/> <hr/>  | <hr/> <hr/>  |

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

## Notes (continued)

### 10 Tangible fixed assets

|                                  | Assets under<br>construction<br>£000 |
|----------------------------------|--------------------------------------|
| <i>Cost:</i>                     |                                      |
| At 1 October 2017                | 14,824                               |
| Additions                        | 15,144                               |
| Reclassification (note 11)       | (3,970)                              |
| Assets completed (note 11)       | (1,038)                              |
|                                  | <hr/>                                |
| At 30 September 2018             | 24,960                               |
|                                  | <hr/>                                |
| <i>Accumulated depreciation:</i> |                                      |
| At 1 October 2017                | -                                    |
| Expense for the year             | -                                    |
|                                  | <hr/>                                |
| At 30 September 2018             | -                                    |
|                                  | <hr/>                                |
| <i>Net book value:</i>           |                                      |
| <b>At 30 September 2018</b>      | <b>24,960</b>                        |
|                                  | <hr/> <hr/>                          |
| At 30 September 2017             | 14,824                               |
|                                  | <hr/> <hr/>                          |

### 11 Investment property

|   | £000           |
|---|----------------|
| <i>Cost</i>                                       |                |
| At 1 October 2017                                 | 226,101        |
| Reclassification (note 10)                        | 3,970          |
| Addition through subsequent expenditure (note 10) | 1,038          |
|   | <hr/>          |
| At 30 September 2018                              | 231,109        |
|   | <hr/>          |
| <i>Accumulated depreciation</i>                   |                |
| At 1 October 2017                                 | 11,387         |
| Expense for the period                            | 4,923          |
|   | <hr/>          |
| At 30 September 2018                              | 16,310         |
|   | <hr/>          |
| <i>Net book value</i>                             |                |
| <b>At 30 September 2018</b>                       | <b>214,799</b> |
|   | <hr/> <hr/>    |
| At 30 September 2017                              | 212,249        |
|   | <hr/> <hr/>    |

The fair value of the investment property following a valuation performed by the directors are £233,000,000 (2017: £288,000,000).

## Notes (continued)

### 12 Investments

|                             | 2018<br>£000  | 2017<br>£000  |
|-----------------------------|---------------|---------------|
| Investments in subsidiaries | 37,055        | 37,055        |
|                             | <u>37,055</u> | <u>37,055</u> |

### 13 Subsidiaries

The company has the following subsidiaries at 30 September 2018:

|   | Country of<br>incorporation<br>(or residence) | Proportion<br>of<br>ownership<br>interest (%) | Proportion<br>of voting<br>power held<br>(%) | Nature of business |
|---|---|---|--|--------------------|
| The Waterside Apartments (Princess Dock Management Company) Limited | United Kingdom                                | 100.00%                                       | 100.00%                                      | Dormant            |
| Golden Tent Limited   | Hong Kong                                     | 100.00%                                       | 100.00%                                      | Holding Company    |
| Malmaison and Hotel du Vin Limited                                  | United Kingdom                                | 100.00%                                       | 100.00%                                      | Dormant            |
| Malmaison and Hotel du Vin Property Limited                         | United Kingdom                                | 75.00%  | 75.00%                                       | Holding Company    |
| Malmaison Limited   | United Kingdom                                | 100.00%                                       | 100.00%                                      | Dormant            |
| Malmaison (Oxford) Limited  | United Kingdom                                | 100.00%                                       | 100.00%                                      | Holding Company    |
| The Malmaison Company (Edinburgh) Limited                           | United Kingdom                                | 100.00%                                       | 100.00%                                      | Holding Company    |
| New Light Hotels Limited  | United Kingdom                                | 100.00%                                       | 100.00%                                      | Trading Company    |
| MWB Malmaison Brand Limited   | United Kingdom                                | 100.00%                                       | 100.00%                                      | Dormant            |
| Malmaison (Chart Square) Limited                                    | United Kingdom                                | 100.00%                                       | 100.00%                                      | Holding Company    |
| The Malmaison Hotel (Birmingham) Limited                            | United Kingdom                                | 100.00%                                       | 100.00%                                      | Holding Company    |
| Hotel du Vin Limited  | United Kingdom                                | 100.00%                                       | 100.00%                                      | Dormant            |
| Jay Hotels Limited  | United Kingdom                                | 100.00%                                       | 100.00%                                      | Dormant            |
| The Malmaison Hotel (Manchester) Limited                            | United Kingdom                                | 100.00%                                       | 100.00%                                      | Holding Company    |
| The Malmaison Hotel (Newcastle) Limited                             | United Kingdom                                | 100.00%                                       | 100.00%                                      | Holding Company    |

All investments in United Kingdom subsidiaries are registered at 3<sup>rd</sup> Floor, 95 Cromwell Road, London, SW7 4DL.

All investments in Hong Kong subsidiaries are registered at 3210 Jardine House, 1 Connaught Place, Central, Hong Kong.

### 14 Debtors

|   | 2018<br>£000   | 2017<br>£000   |
|---|----------------|----------------|
| Trade receivables   | -              | 2,000          |
| Other receivables   | -              | 16             |
| Amount due from parent and fellow subsidiary undertakings | 244,116        | 238,280        |
| Prepayments   | 37,342         | 38,223         |
|   | <u>281,458</u> | <u>278,519</u> |

Amounts owed by parent and fellow subsidiary undertakings are repayable on demand.

**Notes (continued)**

**15 Creditors: amounts falling due within one year**

|   | 2018<br>£000   | 2017<br>£000   |
|---|----------------|----------------|
| Trade payables  | 485            | 194            |
| Amount due to parent and fellow subsidiary undertakings | 453,428        | 439,359        |
|   | <u>453,913</u> | <u>439,553</u> |

Amounts owed to parent and fellow subsidiary undertakings are repayable on demand. Interest is charged at rates between 2.5% and 4.00%.

**16 Share capital**

|                                   | 2018<br>£     | 2017<br>£     |
|-----------------------------------|---------------|---------------|
| <i>Issued and fully paid:</i>     |               |               |
| 10,001 ordinary shares of £1 each | 10,001        | 10,001        |
|                                   | <u>10,001</u> | <u>10,001</u> |

**17 Operating lease commitments**

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

|                            | 2018<br>£000   | 2017<br>£000   |
|----------------------------|----------------|----------------|
| Within one year            | 15,340         | 15,340         |
| Between two and five years | 61,360         | 61,360         |
| In over five years         | 59,668         | 70,308         |
|                            | <u>136,368</u> | <u>147,008</u> |