

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

**Annual report and financial  
statements**

**Registered number 05990905**

**30 September 2020**



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## **Strategic report**

The directors present the strategic report and financial statements for the year ended 30 September 2020.

### **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**

Following the UK's full transition out of the EU at the beginning of 2021, 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)*

### **Covid - 19**

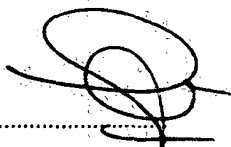
The directors acknowledge that the COVID-19 pandemic has brought substantial operational and business challenges resulting in a significant impact on the Group's performance over the past 12 months. Whilst there is inherent uncertainty in the trading environment, as the UK and the rest of the world navigate the path back to the removal of Government restrictions on our ability to trade and individual's ability to travel, the directors are continuing to monitor the situation closely, continually implementing cost containment measures to minimise the impact of this risk.

Furthermore, the directors were strongly encouraged by the levels of consumer demand for the range of services the Group has to offer when Government restrictions allowed for trade over the last year. The directors therefore remain confident in the long-term fundamentals of the market the Group operates in and in the viability of the business.

### **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: 08 December 2021

## **Directors' report**

The directors present their report and financial statements for the year ended 30 September 2020.

### **Results and dividends**

The results for the period are set out on page 7.

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  
T C Koh      *(resigned 1 July 2021)*  
BK Chan      *(appointed 1 July 2021)*

### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2019: £nil).

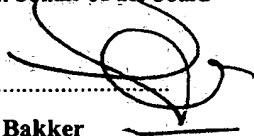
### **Statement of disclosure to auditor**

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: 08 December 2021

## **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 2020 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 2020 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.

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

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

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



## **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: 08 December 2021



**Profit and loss account**  
*for the year ended 30 September 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	2019 £000
<b>Turnover</b>	3	<b>15,340</b>	15,340
Administrative expenses		<b>(6,230)</b>	(6,480)
<b>Operating profit</b>	4	<b>9,110</b>	8,860
Impairments	9	<b>(2,751)</b>	-
Investment impairment	10	<b>(16,400)</b>	-
Interest payable and similar expenses	6	<b>(5,660)</b>	(6,812)
<b>(Loss)/profit before taxation</b>		<b>(15,701)</b>	2,048
Tax on (loss)/profit	7	<b>(68)</b>	(132)
<b>(Loss)/profit for the financial year</b>		<b>(15,769)</b>	1,916

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 2020*

	Note	2020 £000	2019 £000
<b>Fixed assets</b>			
Tangible fixed assets	8	-	-
Investment property	9	209,815	217,566
Investments	10	20,655	37,055
		<u>230,470</u>	<u>254,621</u>
<b>Current assets</b>			
Trade and other receivables	12	313,285	303,602
Cash at bank and in hand		-	340
		<u>313,285</u>	<u>303,942</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	13	(452,645)	(451,684)
		<u>(452,645)</u>	<u>(451,684)</u>
<b>Net current liabilities</b>		<u>(139,360)</u>	<u>(147,742)</u>
<b>Total assets less current liabilities</b>		<u>91,110</u>	<u>106,879</u>
<b>Net assets</b>		<u>91,110</u>	<u>106,879</u>
<b>Capital and reserves</b>			
Called up share capital	14	10	10
Share premium account		76,067	76,067
Profit and loss account		15,033	30,802
<b>Total equity</b>		<u>91,110</u>	<u>106,879</u>

The financial statements were approved by the Board of directors and authorised for issue on 08 December 2021

Signed on its behalf by:

  
**G Bakker**  
*Director*

Company Registration No. 05990905

## Statement of changes in equity

	Share capital £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1 October 2018	10	76,067	28,886	104,963
Loss and total comprehensive income for the period	-	-	1,916	1,916
<b>Balance at 30 September 2019</b>	<b>10</b>	<b>76,067</b>	<b>30,802</b>	<b>106,879</b>

	Share capital £000	Share premium account £000	Retained Earnings £000	Total £000
Balance at 1 October 2019	10	76,067	30,802	106,879
Loss and total comprehensive income for the period	-	-	(15,769)	(15,769)
<b>Balance at 30 September 2020</b>	<b>10</b>	<b>76,067</b>	<b>15,033</b>	<b>91,110</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.

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

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence 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 has had a significant impact on the business and is expected to continue to do so for the forecast period. Following the issuance of UK government guidance, the majority of properties across the UK Frasers group (including all Malmaison and Hotel du Vin properties) were closed for periods during the financial year and during the period since the balance sheet date. However, at the date of the approval of the financial statements, all UK Frasers properties are open and trading. 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 continued property closures and a slow return to previous experienced levels of trading.

The Company's parent undertaking is 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 2020 amounted to £232.5m (2019: £145.7m) 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.

#### 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

## **Notes (continued)**

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

#### **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.

#### **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 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.

## **Notes (continued)**

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

#### **1.10 Financial instruments (policy applicable from 1 October 2018) (continued)**

##### **(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.

###### **(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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Financial instruments (policy applicable from 1 October 2018) (continued)

##### *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) Derivative financial instruments and hedging

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied – see below), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.



## **Notes (continued)**

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

#### **1.10 Financial instruments (policy applicable from 1 October 2018) (Continued)**

##### *Fair value hedges*

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

##### **(iv) 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.

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.

## **Notes (continued)**

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

#### **1.11 Non-derivative financial instruments**

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

##### *Trade and other receivables*

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

##### *Trade and other payables*

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

##### *Cash and cash equivalents*

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

##### *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.

#### **1.12 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.

#### **1.13 Leases**

##### *Policy applicable from 1 October 2019*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease under IFRS 16. This policy is applied to contracts entered into, on or after 1 October 2019.

##### *As a lessee*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## **Notes (continued)**

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

#### **1.13 Leases (Continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

##### *Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### *As a lessor*

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term.

##### *Policy applicable before 1 October 2019*

##### *As a lessee*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

##### *As a lessor*

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 other operating income.

### **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.

## Notes (continued)

### 2 Critical accounting estimates and judgements (continued)

#### *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.

### 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

	2020 £000	2019 £000
Operating profit for the period is stated after expensing:		
Audit of financial statements of the company	6	6
Audit related assurance services	1	1
Tax compliance services	5	5
Depreciation of investment property (note 9)	5,000	5,219
	<u>5,000</u>	<u>5,219</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 2020 (2019: £nil). 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 Interest payable and similar expenses

	2020 £000	2019 £000
<i>Interest on financial liabilities measured at amortised cost:</i>		
Interest payable to group undertakings	5,660	6,812
	<u>5,660</u>	<u>6,812</u>

## Notes (continued)

### 7 Taxation

#### Recognised in the income statement

	2020 £000	2019 £000
<i>Current tax expense</i>		
Current year	-	-
	<hr/>	<hr/>
Current tax expense	-	-
	<hr/>	<hr/>
<i>Deferred tax expense</i>		
Adjustments in respect of prior periods	-	86
Origination/reversal of timing differences in the period	68	46
	<hr/>	<hr/>
Deferred tax expense	68	132
	<hr/>	<hr/>
Total tax expense	68	132
	<hr/> <hr/>	<hr/> <hr/>

#### Reconciliation of effective tax rate

	2020 £000	2019 £000
(Loss)/profit for the year	(15,769)	1,916
Total tax expense	68	132
	<hr/>	<hr/>
(Loss)/profit excluding taxation	(15,701)	2,048
	<hr/> <hr/>	<hr/> <hr/>
Tax using the UK corporation tax rate of 19% (2019: 19%)	(2,983)	389
	<hr/>	<hr/>
Group relief	(2,843)	(1,532)
Ineligible depreciation	-	972
Non-deductible expenses	4,947	233
Adjustments in respect of prior periods	-	86
Adjustment to opening and closing deferred tax to average tax rate	-	(16)
Fixed asset differences	931	-
Remeasurement of deferred tax for changes in tax rates	16	-
	<hr/>	<hr/>
Total tax expense	68	132
	<hr/> <hr/>	<hr/> <hr/>

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, as previously announced. Accordingly, deferred tax balances have been calculated at 19% at 30 September 2020.

In the 3 March 2021 UK Budget, it was announced that the UK corporation tax rate will increase from the current 19% to 25% with effect from 1 April 2023, notwithstanding a lower rate of 19% will remain for small businesses with profits of £50,000 or less. This will have a consequential effect on the Company's future tax charge.

## Notes (continued)

### 8 Tangible fixed assets

	<b>Assets under construction £000</b>
<i>Cost:</i>	
At 1 October 2019	-
Additions	-
Reclassification to Investment property (note 9)	-
Assets completed and transferred to related undertakings	-
	<hr/>
At 30 September 2020	-
	<hr/>
<i>Accumulated depreciation:</i>	
At 1 October 2019	-
Expense for the year	-
	<hr/>
At 30 September 2020	-
	<hr/>
<i>Net book value:</i>	
At 30 September 2020	-
	<hr/> <hr/>
At 30 September 2019	-
	<hr/> <hr/>

The company incurs refurbishment costs on behalf of related undertakings. These are transferred once completed.

### 9 Investment property

	<b>£000</b>
<i>Cost:</i>	
At 1 October 2019	239,095
Reclassification from Tangible fixed assets (note 8)	-
Addition through subsequent expenditure	-
	<hr/>
At 30 September 2020	239,095
	<hr/>
<i>Accumulated depreciation:</i>	
At 1 October 2019	21,529
Expense for the period	5,000
Impairment	2,751
	<hr/>
At 30 September 2020	29,280
	<hr/>
<i>Net book value:</i>	
At 30 September 2020	209,815
	<hr/> <hr/>
At 30 September 2019	217,566
	<hr/> <hr/>

Management performed an impairment review and identified an impairment of £2.8m (2019: £nil) against Investment Properties.

## Notes (continued)

### 9 Investment property (continued)

Impairment exists when the carrying value of an asset exceeds the calculated recoverable amount. In order to determine the recoverable amount of each asset, Management used a discounted cash flow model (the “model”) which contained certain key assumptions about the projected cash flow over the next 5 years to be generated from continuing use. Taking into account of reasonably possible downsides in view of the current challenging trading conditions, the cash flow projections within the model assumed revenue for FY21 to be between 27.9% and 37.8% lower than FY19 with the overall business’ revenue only forecast to exceed FY19 levels in FY23, before increasing steadily for FY24 and FY25.

Cash flows beyond this initial 5 year period were estimated using terminal growth rates of 2% which are within management’s expectation of the long-term average growth rates of the industry and cities in which the Group operates.

The projected pre-tax cash flows were discounted at the rate of 8%.

As is inherent in any such model, changes in the key assumptions would lead to different outcomes and, in this case, different impairment levels. In terms of the discount rate assumption, a 1% increase in the discount rate applied to the cash flows would result in no change to the resulting impairment.

Management remain confident that the base assumptions put forward in its model are reasonable and correspond to their best estimate of the future business performance at the time the model was built.

### 10 Investments

	Shares in group undertakings £000
<i>Cost:</i>	
At 30 September 2020 and 30 September 2019	37,055
<i>Provision for impairment:</i>	
At 30 September 2019	-
Charge in the year	<u>(16,400)</u>
At 30 September 2020	(16,400)
<i>Net book value:</i>	
At 30 September 2019	37,055
At 30 September 2020	<u>20,655</u>

The directors have performed an impairment review in relation to the Group, and a provision of £16.4m (2019: £nil) has been recorded to impair the investment in subsidiaries.

## Notes (continued)

### 11 Subsidiaries

The company has the following subsidiaries at 30 September 2020:

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	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.

### 12 Debtors

	2020 £000	2019 £000
<b>Current</b>		
Amount due from parent and fellow subsidiary undertakings	274,996	262,516
Prepayments	1,227	41,086
	<u>276,223</u>	<u>303,602</u>
<b>Non-current</b>		
Prepayments	37,062	-
	<u>313,285</u>	<u>303,602</u>

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



## Notes (continued)

### 13 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade payables	1,178	713
Deferred tax liability	132	132
Corporation tax	68	-
Amount due to parent and fellow subsidiary undertakings	451,256	450,839
Other payables	11	-
	<u>452,645</u>	<u>451,684</u>

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

### 14 Share capital

	2020 £	2019 £
<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>

### 15 Operating lease commitments

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

	2020 £000	2019 £000
Within one year	15,340	15,340
Between two and five years	61,360	61,360
In over five years	24,288	39,628
	<u>100,988</u>	<u>116,328</u>

### 16 Ultimate parent company and parent company of larger group

The ultimate parent company is TCC Assets Limited, a company incorporated in Thailand. The smallest group in which the Company is consolidated is that headed by Frasers Hospitality UK Holdings Limited, registered 3<sup>rd</sup> floor, 95 Cromwell Road, London SW7 4DL.