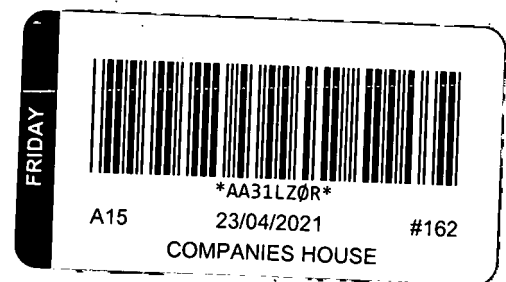


Company Registration No. 6220852

**Hadrian Bidco 2 Limited**

**Annual Report and Financial Statements**

**31 December 2019**



## **Hadrian Bidco 2 Limited**

### **Annual report and financial statements 2019**

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## **Hadrian Bidco 2 Limited**

### **Report and financial statements 2019**

#### **Officers and professional advisers**

##### **Directors**

A G Troy  
J A Burrell

##### **Registered office**

The Inspire  
Hornbeam Square West  
Harrogate  
North Yorkshire  
HG2 8PA

##### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

## **Hadrian Bidco 2 Limited**

### **Strategic Report**

#### **Principal Activities of the Company**

Until January 2019 the Company owned shares in subsidiary companies but did not trade. The Company is a member of the UK Group of Companies headed by Principal Hotels Topco 1 Limited ("the Group").

#### **Company Business Review**

##### 2019 Business Review

The Company did not trade during the two years ended 31 December 2019. The Company has made prior period adjustments relating to the impairment of its investments in subsidiaries and dividends paid and details are given in note 3 to the financial statements.

##### 2020 Post Balance Sheet Events and Future Developments

The directors expect the Company's levels of activities to remain unchanged during the year to 31 December 2020.

As a non-trading company the COVID-19 pandemic has not directly impacted the Company. The Group's operations have been materially impacted by the pandemic but, as set out below in the "Going Concern basis of accounts preparation" section of this report, the Group has secured shareholder and bank support in order to continue trading for the foreseeable future.

Full details of the Group's ongoing trading prospects with regard to both the COVID-19 pandemic and the potential impact on the Group of Brexit are given in the Group Chief Executive's Report of the UK parent company Principal Hotels Topco 1 Limited.

#### **Financial risk management objectives and policies**

As a non-trading subsidiary the Company is not exposed to financial risks outside of the Group.

## **Hadrian Bidco 2 Limited**

### **Strategic Report**

#### **Going Concern basis of accounts preparation**

The directors believe it is appropriate to prepare the financial statements of the Company, as a member of the group of companies headed by Principal Hotels Topco 1 Limited ("the Group"), on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and for at least the next 12 months. In formulating this assessment the directors have taken into consideration both the Group's commitment to provide support and, in order to assess its ability to provide that support, its sources of finance and the potential impact of the current global COVID-19 pandemic on its trading forecasts.

The Group's shareholder has agreed to provide, if required, via the Group's UK parent company a capped amount of additional funding to be used exclusively to support Principal Hotels Topco 3 Limited and its subsidiaries ("the Topco 3 Group"). The Group's UK parent company has in turn committed to exclusively provide those funds to support the Topco 3 Group, including the Company, for at least the next 12 months as long as the Company remains part of the Group. Since the balance sheet date the Topco 3 Group's lending bankers have extended its loan facility by two years such that, subject to compliance with normal banking conditions and covenants, no ongoing quarterly repayments are required and the whole loan is not now due for repayment or renewal until October 2025.

The Topco 3 Group's trading forecasts show that for a period of not less than 12 months from the date of approval of these financial statements it will have sufficient operational facilities in place. The forecasts incorporate the Topco 3 Group's current expectation of increases in revenues from their current levels as its business recovers from the COVID-19 pandemic. The extent of that recovery will, however, depend on future developments including the duration of the outbreak and the impact of Government advice and any restrictions on the hotel and travel industry and the overall economy, all of which are uncertain. In the event of greater COVID-19 disruption than forecast then if required the Topco 3 Group's directors would seek, and believe that the Group would have the ability to raise, additional finance from its investors although there can be no certainty about this.

The directors of the Company note that the above matters create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of the business.

Approved by the Board of Directors  
and signed on behalf of the Board



J A Burrell  
Director  
22 December 2020

## **Hadrian Bidco 2 Limited**

### **Directors' report**

The directors present their annual report and the audited financial statements for year ended 31 December 2019.

#### **Going Concern, Future Developments and Financial risk management objectives and policies**

The directors set out in the Strategic Report

- the reasoning for and the related material uncertainty relating to the adoption of the going concern basis in preparing the annual report and financial statements for the Company
- an indication of any future developments for the Company; and
- the financial risk management objectives and policies of the Company.

#### **Dividends**

Dividends of £nil were paid during the financial year (2018: £137,839,000). The 2018 dividend has been restated as explained in note 3 to the financial statements. The directors do not propose to pay a final dividend (2018: £nil).

#### **Subsequent events**

Disclosures in respect of the impact on the Company's post year end activities and its future prospects resulting from the 2020 COVID-19 pandemic are given in the Strategic Report.

#### **Political contributions**

There were no donations made to political parties (2018: £nil).

#### **Directors**

The directors who held office during the year and subsequent to the balance sheet date were:

A G Troy  
J A Burrell  
G S Hunter (resigned 30 September 2020)  
G J Gallagher (resigned 30 September 2020)

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **Disclosure of relevant information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## **Hadrian Bidco 2 Limited**

### **Directors' report**

#### **Auditor**

Deloitte have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



J A Burrell  
Director  
22 December 2020

## **Hadrian Bidco 2 Limited**

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Independent auditor's report to the members of Hadrian Bidco 2 Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Hadrian Bidco 2 Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty relating to going concern**

We draw attention to note 1 to the financial statements, which indicates that if the impact of COVID-19, including restrictions on the hotel and travel industry and overall economy, is greater than forecast, the directors would seek additional finance although there can be no certainty about this. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Independent auditor's report to the members of Hadrian Bidco 2 Limited (*continued*)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Independent auditor's report to the members of Hadrian Bidco 2 Limited (*continued*)**

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

#### **Use of our report**

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.



Timothy Steel ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

22 December 2020

## Hadrian Bidco 2 Limited

### Profit and Loss Account Year ended 31 December 2019

	Note	2019 £'000	2018 (restated) £'000
Impairment of investments in subsidiaries	3	-	(67,361)
Loss on disposal of subsidiary company	7	(94,001)	-
Dividends received from subsidiary companies		-	202,200
<b>Profit / (loss) before tax</b>		<b>(94,001)</b>	<b>134,839</b>
Tax	6	-	-
<b>Profit / (loss) for the financial year</b>		<b>(94,001)</b>	<b>134,839</b>

The comparative figures for the year ended 31 December 2018 have been restated as set out in note 3 to the financial statements.

All amounts relate to continuing activities.

### Statement of Other Comprehensive Income Year ended 31 December 2019

For the years ended 31 December 2019 and 31 December 2018 the Company had no transactions that would fall to be disclosed in a Statement of Other Comprehensive Income other than the net profit or loss for the financial year reported in the Profit and Loss Account above.

## Hadrian Bidco 2 Limited

### Balance sheet 31 December 2019

	Note	2019 £'000	2018 (restated) £'000
<b>Fixed assets</b>			
Investments	7	-	7,906
Total fixed assets		-	7,906
<b>Current assets</b>			
Debtors	8	67,361	549,160
Total current assets		67,361	549,160
<b>Creditors: amounts falling due within one year</b>	9	(161,257)	(556,961)
<b>Net current assets / (liabilities)</b>		<b>(93,896)</b>	<b>(7,801)</b>
<b>Net assets / (liabilities)</b>		<b>(93,896)</b>	<b>105</b>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account		(93,896)	105
<b>Equity shareholders' funds / (deficit)</b>		<b>(93,896)</b>	<b>105</b>

The comparative figures at 31 December 2018 have been restated as set out in note 3 to the financial statements.

The financial statements of Hadrian Bidco 2 Limited, company number 6220852, have been approved and authorised for issue by the Board of Directors.



Signed on behalf of the Board of Directors

J A Burrell, Director

22 December 2020

## Hadrian Bidco 2 Limited

### Statement of changes in equity 31 December 2019

	Called up share capital (note 10) £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	-	3,105	<b>3,105</b>
Profit / (loss) for the financial year (restated – note 3)	-	134,839	<b>134,839</b>
Dividends paid (restated – note 3)	-	(137,839)	<b>(137,839)</b>
At 31 December 2018	-	105	<b>105</b>
Profit / (loss) for the financial year	-	(94,001)	<b>(94,001)</b>
At 31 December 2019	-	(93,896)	<b>(93,896)</b>

Dividends paid during the financial year amounted to £nil (2018: £137,839,000) per share.

## **Hadrian Bidco 2 Limited**

### **Notes to the financial statements Year ended 31 December 2019**

#### **1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

##### **Basis of accounting**

Hadrian Bidco 2 Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards and law.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of Principal Hotels Topco 1 Limited.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Principal Hotels Topco 1 Limited, which are available to the public and can be obtained as set out in note 14.

##### **Adoption of new and revised standards**

There were no new or revised standards which had an effect on the current and prior financial years or might have an effect on future financial periods.

## **Hadrian Bidco 2 Limited**

### **Notes to the financial statements Year ended 31 December 2019**

#### **1. ACCOUNTING POLICIES (*continued*)**

##### **Going Concern**

The directors believe it is appropriate to prepare the financial statements of the Company, as a member of the group of companies headed by Principal Hotels Topco 1 Limited ("the Group"), on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and for at least the next 12 months. In formulating this assessment the directors have taken into consideration both the Group's commitment to provide support and, in order to assess its ability to provide that support, its sources of finance and the potential impact of the current global COVID-19 pandemic on its trading forecasts.

The Group's shareholder has agreed to provide, if required, via the Group's UK parent company a capped amount of additional funding to be used exclusively to support Principal Hotels Topco 3 Limited and its subsidiaries ("the Topco 3 Group"). The Group's UK parent company has in turn committed to exclusively provide those funds to support the Topco 3 Group, including the Company, for at least the next 12 months as long as the Company remains part of the Group. Since the balance sheet date the Topco 3 Group's lending bankers have extended its loan facility by two years such that, subject to compliance with normal banking conditions and covenants, no ongoing quarterly repayments are required and the whole loan is not now due for repayment or renewal until October 2025.

The Topco 3 Group's trading forecasts show that for a period of not less than 12 months from the date of approval of these financial statements it will have sufficient operational facilities in place. The forecasts incorporate the Topco 3 Group's current expectation of increases in revenues from their current levels as its business recovers from the COVID-19 pandemic. The extent of that recovery will, however, depend on future developments including the duration of the outbreak and the impact of Government advice and any restrictions on the hotel and travel industry and the overall economy, all of which are uncertain. In the event of greater COVID-19 disruption than forecast then if required the Topco 3 Group's directors would seek, and believe that the Group would have the ability to raise, additional finance from its investors although there can be no certainty about this.

The directors of the Company note that the above matters create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of the business.

##### **Investments**

Fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment.



**Hadrian Bidco 2 Limited**

**Notes to the financial statements  
Year ended 31 December 2019**

**1. ACCOUNTING POLICIES (continued)**

**Tax**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## Hadrian Bidco 2 Limited

### Notes to the financial statements Year ended 31 December 2019

#### 1. ACCOUNTING POLICIES (*continued*)

##### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### *Financial assets*

All financial assets are recognised and derecognised on a trade date basis. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### *Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

The Company has none of the later type of financial assets and therefore all financial assets are measured subsequently at amortised cost.

##### *Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses (ECL) on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. The Company always recognises lifetime ECL for trade receivables using a provision based on the Company's historical credit loss experience.

In assessing whether there has been any impairment of amounts owed by Group companies the Directors take account of the support provided by the UK parent company, Principal Hotels Topco 1 Limited, which has undertaken to ensure that such amounts will be recoverable in full.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

## Hadrian Bidco 2 Limited

### Notes to the financial statements Year ended 31 December 2019

#### 1. ACCOUNTING POLICIES (*continued*)

##### *(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

##### *(ii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

##### *(iii) Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### *(iv) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

##### *Derecognition of financial assets*

The Company derecognises a financial asset 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 of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### *Financial liabilities and equity Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

## **Hadrian Bidco 2 Limited**

### **Notes to the financial statements Year ended 31 December 2019**

#### **1. ACCOUNTING POLICIES (*continued*)**

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### *Financial liabilities*

The Company has no financial liabilities that are (i) held-for-trading, or (ii) designated as at FVTPL and therefore all financial liabilities are measured subsequently at amortised cost using the effective interest method.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

##### *Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## **Hadrian Bidco 2 Limited**

### **Notes to the financial statements Year ended 31 December 2019**

#### **2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 key assumptions concerning the future, and other key sources of uncertainty at the balance sheet date, that have a potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### **Corporation tax and deferred tax**

The calculation of the Company's tax charge necessarily involves a degree of estimation and judgement in respect of certain items. In calculating the Company's tax charge, there are inherent assumptions made around assets which qualify for capital allowances as well as the level of expenses which are disallowable for corporation tax purposes.

Further judgement is required in relation to any deferred tax assets which may arise as the recoverability of these assets is reliant on future taxable profits. Deferred tax liabilities are calculated based on the Company's expectations regarding the manner and timing of the recovery of the related assets.

No provision for corporation tax has been made at the balance sheet date. The amounts both provided and not provided in respect of deferred tax at the balance sheet date are set out in note 6.

#### **3. PRIOR PERIOD ADJUSTMENTS**

The directors have reviewed their process in respect of the consideration of potential impairment provisions against investments in subsidiaries and have concluded that a provision of £67,361,000 should have been made at 31 December 2018. As a consequence of the impact on the Company's reserves dividends paid of £67,361,000 in 2018 have been reclassified as a loan to the then immediate parent company. Prior period adjustments for these amounts has been made and comparative figures in respect of 2018 adjusted where required.

This has resulted in

- The profit for the year to 31 December 2018 being reduced from £202,200,000 to £134,839,000
- Investments being reduced from £75,267,000 to £7,906,000 at 31 December 2018
- Amounts owed by subsidiaries of the ultimate parent company being increased from £481,799,000 to £549,160,000 at 31 December 2018
- A net nil change in the profit and loss account reserves

## Hadrian Bidco 2 Limited

### Notes to the financial statements Year ended 31 December 2019

#### 4. STAFF COSTS

The directors are the only employees of the Company. The directors received no remuneration in respect of services to the Company during the year (2018: £nil). The directors are employed by Principal Hayley Limited, a fellow Group company, and it is not practicable to allocate a proportion of their costs to the Company.

#### 5. AUDITOR'S REMUNERATION

Auditor's remuneration of £1,000 (2018: £1,000) was borne by a fellow Group company.

#### 6. TAX

There was no profit and loss account charge for corporation tax or deferred tax for the year (2018: £nil).

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2019 £'000	2018 (restated) £'000
Profit / (loss) before tax	(94,001)	134,839
Tax at standard UK rate of 19.0% (2018: 19.0%)	(17,860)	25,619
Effects of:		
Expenditure not deductible for tax purposes	17,860	12,799
Income not chargeable for tax purposes	-	(38,418)
Other amounts deductible for tax purposes	(1,764)	(37)
Group relief surrendered for nil consideration	1,764	37
<b>Total tax charge / (credit) for the year</b>	<b>-</b>	<b>-</b>

At the balance sheet date deferred tax assets have not been recognised in respect of tax losses of £35,038,000 (2018: £35,038,000) as it is not considered probable that they will be utilised in the foreseeable future.

The deferred tax balances in these financial statements are calculated using the tax rates substantively enacted at 31 December 2019 by the Finance Bill 2016 which reduced the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the corporation tax rate will be held at 19%. As the Company has not recognised any deferred tax assets at 31 December 2019 this change in the future corporation tax rate would not, had it been used in the deferred tax calculations, had any impact on the Company's balance sheet at 31 December 2019.

## Hadrian Bidco 2 Limited

### Notes to the financial statements Year ended 31 December 2019

#### 7. INVESTMENTS

	Shares in subsidiary companies £'000
<b>Cost</b>	
At 1 January 2019	165,267
Additions	86,095
Disposals	(251,362)
At 31 December 2019	-
<b>Provision for impairment</b>	
At 1 January 2019 as restated (note 3)	157,361
Charge for the year	-
Disposals	(157,361)
At 31 December 2019	-
<b>Net book value</b>	
At 31 December 2019	-
At 31 December 2018 as restated (note 3)	7,906

Shares in subsidiary companies comprised the whole of the issued share capital of Hayley Conference Centres Holdings Limited, a non-trading company. Additions were in respect of shares subscribed on 16 January 2019 as part of a Group reorganisation and subsequently Hayley Conference Centres Holdings Limited was struck off on 23 April 2019.

#### 8. DEBTORS

	2019 £'000	2018 (restated) £'000
Amounts owed by subsidiaries of the ultimate parent company	67,361	549,160
Total debtors	67,361	549,160

Amounts owed by subsidiaries of the ultimate parent company are repayable on demand and are interest free.

## Hadrian Bidco 2 Limited

### Notes to the financial statements Year ended 31 December 2019

#### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Amounts owed to the Company's immediate parent company	-	553,633
Amounts owed to subsidiaries of the ultimate parent company	161,257	3,328
Total creditors falling due within one year	161,257	556,961

Amounts owed to the Company's immediate parent company and to subsidiaries of the ultimate parent company are payable on demand and are interest free.

#### 10. CALLED UP SHARE CAPITAL

	2019 £	2018 £
<b>Allotted, called up and fully paid:</b>		
1 ordinary share of £1	1	1
Total share capital	1	1

#### 11. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 101 not to disclose transactions with other Group companies.

#### 12. CONTINGENT LIABILITIES

The Company, together with certain other fellow Group companies, has given guarantees to a maximum of £222.8 million (2018 - £234.5 million) over the UK borrowings of Principal Hotels Topco 3 Limited a fellow Group company. At 31 December 2019 the borrowings outstanding covered by this guarantee totalled £222.8 million (2018 - £234.5 million).

#### 13. SUBSEQUENT EVENTS

The 2020 COVID-19 pandemic is an event that arose after the balance sheet date which does not affect the amounts recognised in these financial statements. Disclosures in respect of its impact on the Company's post year end activities and future prospects are given in the Strategic Report.



## **Hadrian Bidco 2 Limited**

### **Notes to the financial statements Year ended 31 December 2019**

#### **14. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

In the opinion of the directors, the Company's ultimate parent company is SOF-9 Rome Holdings Lux Sarl, a company incorporated in Luxembourg. The ultimate parent company is owned by private equity funds and is managed on their behalf by Starwood Capital Group LLC, a company registered in the United States of America. The parent undertaking of the largest group which includes the Company and for which group financial statements are prepared is Principal Hotels Topco 1 Limited, a company incorporated in Great Britain which has the same Registered Office as the Company. The parent undertaking of the smallest such group is Principal Hotels Topco 3 Limited, a company incorporated in Great Britain which has the same Registered Office as the Company. Copies of the group financial statements of Principal Hotels Topco 1 Limited and Principal Hotels Topco 3 Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The Company's immediate controlling party is Principal Hotels Topco 3 Limited.