# QUEENSGATE GENERATOR S.À.R.L

## CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED
### 31 DECEMBER 2019

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For the year ended 31 December 2019

**Queensgate Generator S.à r.l**

COMPANY INFORMATION
For the year ended 31 December 2019

| | |
|---|---|
| **Managers** | Godfrey Abel<br>Jaap Meijer<br>Peggy Murphy<br>Jueane Thiessen |
| **Company Number** | RCS Luxembourg B123327 |
| **Registered Office** | 15 Boulevard F.W. Raiffeisen<br>L-2411<br>Luxembourg |
| **Share Capital** | €31,660 |
| **Independent Auditor** | BDO Luxembourg |

The Management of Queensgate Generator S.à r.l., formerly: Patron Generator S.à r.l. (the "Company") hereby presents its consolidated financial statements for the year ended 31 December 2019.

The consolidated financial statements include the results of the Company and its subsidiaries (the "Group").

***Principal activities***

The Group's principal activity during the year 2019 was the operation and development of hostels under the "Generator" brand.

***Results and development during the year***

The Group recorded an operating profit before interest, tax, depreciation and amortisation of €15.1m (2018: profit of €17.3m). After depreciation, amortisation, finance costs and investing in development assets the loss for the year after taxation was €36.5m (2018: €30.9m).

The existing Group sites grew revenues of circa 16% in the year. ABR grew circa 7% to €30.67 in the year (2018: €28.57) and REVPAR grew circa 0.5% to €89.49 (2018: €89.01).

During the year, the Group acquired controlling interests in 4 Hotels across the USA (Freehand). The acquisition has significantly increased the Group's presence in North America, contributing revenues of circa €18.7m since mid-October.

***Branch offices***

The Group did not maintain any branch offices during the year 2019.

***Acquisition of shares***

The Group did not acquire any of its own shares during the year.

***Future developments of the Group***

Following the significant impact of COVID-19 across all sites in 2020, the short-term focus of the Group is restoring revenue and profitability to historic levels.

However, the Group is always reviewing potential development of existing assets. Other opportunities for growth are also being considered as the Group looks to expand the Freehand brand into the European market.

***Risk assessment***

The Group's internal risk management and control systems include operational, financial and technical controls, as well as risk analysis of the operational and financial aims of the Group.

***Financial risk management***

The principal financial risks faced by the Group are foreign currency, liquidity, interest rate and credit risks. The policies and strategies for managing these risks are summarised as follows:

*Foreign currency risk*

Transactional foreign currency exposures arise from both the provision and acquisition of services in the UK, USA, Sweden and Denmark. As the Danish Krone is pegged to the Euro, the Group is primarily exposed to foreign exchange in relation to movements in Sterling Pounds, American Dollars and Swedish Krone.

*Liquidity risk*

The Group's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Group. Operating subsidiaries are financed by a combination of retained profits, bank borrowings and intergroup loans. Management's objective is to meet its liabilities as they fall due whilst maintaining sufficient headroom to enable the Board to react to unexpected changes in market conditions. Detailed analysis of the debt facilities taken out and available to the Group are disclosed in Note 17. Management monitors its cash flows through the preparation of forecasts on a monthly basis.

*Interest rate risk*

The Group is exposed to interest rate risk in relation to the variable rates on financial assets and liabilities. The Group considers the use of derivative contracts to maintain a mix of fixed and floating rate borrowings to mitigate this risk. The structure and maturity of these derivatives correspond to the underlying borrowings and are accounted for as fair value adjustments in the consolidated income statement under finance costs and income.

*Credit risk*

The Group is not exposed to significant credit risk from trade receivables due to the level of these balances. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

***Activity in the field of research and development***

The Group is not involved in any activity in the field of research and development.

***Impact of Covid-19 on the Group subsequent to year end and material uncertainty related to going convern***

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the hotels within the group after the year end, as it has on all hotels worldwide. It is too early to know the precise impact this will have on the medium and long term trading horizon as the situation continues to evolve and with different impacts and levels of support provided to businesses in the different countries in which the group operates. The Group revenue for respectively 2020 and 2021 is estimated to be €46.5m (38% of 2019 revenue) and €66.2m (54% of 2019 revenue) in 2021.

However, the managers are taking comprehensive steps to ensure that the business is able to continue in operation for the foreseeable future. Cost savings have been made wherever possible at both a marginal and fixed cost level, taking advantage of Government supported measures, such as loans and grants, furloughing of employees and tax deferral schemes for the period that these are available. Queensgate Generator has previously traded with strong EBITDA performance and it is the expectation of the managers that normal operations will be able to resume relatively quickly once the restrictions in relation to COVID-19 and international travel are lifted with the group expecting to be ahead of many in the industry in terms of recovery.

The Company is a holding entity for the wider Group, but relies on the cash flows of entities within the Group. It is therefore, the status of the Group which is relevant in the assessment of the going concern assumption. The Group operates with five senior debt facilities, which in connection with an additional €90m financing secured in February 2021 (fully drawn at the date of approval of the financial statements), were amended to acknowledge and work with the adverse impact of COVID-19 restrictions, following breaches of covenants after the balance sheet date. At this time, it was ensured that covenants within the senior debt facilities were reset and not tested again until Q3 2022. The prolonged restrictions in place in the key markets for the Group and the so called third wave of the pandemic across Europe, has resulted in additional cash financing being required to provide operational capital and to protect against further shocks.

The shareholders have been provided with detailed forecasts for the business and agreed to provide additional funding in August 2021. €32.3m has been received at the date of approval of the financial statements of which approximately €12m is undrawn. Based on the projected cash flows prepared for the next twelve months, additional drawdowns from the shareholders' loan (€12m) might be necessary even though not for the whole amount. The projection of the cash flows in the next twelve months is built on the assumption that the Group will be able to generate approximatively 85% of the cumulated revenue of Freehand and Generator hotels during the financial year 2019 on a twelve months basis.

In the case that the expected cash flow is not achieved and the remainder of the shareholders' loan has to be fully called, the Group may need to seek potential additional financial support currently not secured, which could also impact negatively the covenants in place. The managers cannot exclude this scenario and therefore a material uncertainty related to going concern exists, especially given the .current economic context. The Managers are however confident that the forecasts are achievable and that the Group will be able to continue to trade and meet its liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements. The financial statements do not include the adjustments that would result if the Group and Parent Company was unable to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group and Parent Company was unable to continue as a going concern.

Further details surrounding financing, the future outlook and going concern of the Group are documented at Note 2.16.

***Subsequent events***

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the Group after the year end, as it has on hostels and hotels around the world. There were breaches to loan covenants for the main Group facility (for the quarter ending September 2020) and Italian facility (for the quarters ending June and September 2020).

Post year-end financing has been received from shareholders and local Government's (in the form of grants, payroll assistance and loan funding). New debt funding has been secured from new lenders following year end. The Group is fortunate to benefit from the strong support of its lenders and its shareholders and the Group's main European and US facilities have been extended and covenant waivers obtained where necessary until Q2 2022 (at the earliest).

There are no events or matters that required to be disclosed in the financial statements.

Luxembourg, 2 February 2022

Thiessen

**Jueane Thiessen**
**Manager**

**Godfrey Abel**
**Manager**

BDO

Tel. +352 45 123-1
www.bdo.lu

1, rue Jean Piret
Boîte Postale 351
L-2013 Luxembourg

# REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Partners of
Queensgate Generator S.à r.l.
15, Boulevard F.W. Raiffeisen
L - 2411 Luxembourg

## Report on the audit of the consolidated financial statements

### Qualified opinion

We have audited the consolidated financial statements of Queensgate Generator S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### Basis for qualified opinion

Income tax cost is recognized for an amount of 4.624 MEUR in the consolidated income statement and statement of comprehensive income of the Group for the year ended 31 December 2019. Included in this amount, is a net amount of 2.638 MEUR related to a movement in deferred tax asset for an amount of 10.662 MEUR and a movement in deferred tax liability for 13.300 MEUR.

We were unable to obtain sufficient appropriate audit evidence to support the accuracy of the related accounting entries and were thus unable to determine if the income tax cost and the deferred tax movement on fair value adjustment recorded in the consolidated income statement and statement of comprehensive income of the Group and related disclosure in the notes for the year ended 31 December 2019 should be adjusted. Equally, we were unable to determine if any restatement of the opening balances of deferred tax asset, deferred tax liability and revaluation reserve should be considered in this respect.

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of the "*réviseur d'entreprises agréé*" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2.16 in the consolidated financial statements, which indicates that after the year end, the Group's revenue declined significantly as a result of COVID-19. As a result additional financing was secured in February and August 2021. Although, should projected cash flows for the next twelve months not materialize, the Group would need to seek potential additional financial support which may be not achievable and could negatively impact covenants in place. As stated in Note 2.16, these events or conditions, along with other matters as set forth in Note 2.16, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The Board of Managers is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 this fact. We have nothing to report in this regard.

**Responsibilities of the Board of Managers for the consolidated financial statements**

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group'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 Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Responsibilities of the *"réviseur d'entreprises agréé"* for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *"réviseur d'entreprises agréé"* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.

- Conclude on the appropriateness of Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *"réviseur d'entreprises agréé"* to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *"réviseur d'entreprises agréé"*. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Managers regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 2 February 2022

BDO Audit
*Cabinet de révision agréé*
represented by

p.p.

Jessica Ott

**Queensgate Generator S.à r.l**

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

| | Note | Year ended 31 December 2019 €'000 | Restated Year ended 31 December 2018 €'000 |
|---|---|---|---|
| Revenue | 4 | 122,474 | 89,094 |
| Cost of sales | 5 | (19,132) | (13,693) |
| Gross profit | | **103,342** | **75,401** |
| Administration expenses | 6 | (88,289) | (58,056) |
| Operating profit before interest, tax, depreciation and amortisation | | **15,053** | **17,345** |
| ***Analysed as:*** | | | |
| *Operating hostels* | | *30,166* | *22,547* |
| *Head office costs* | | *(17,000)* | *(1,616)* |
| *Hostels in the course of development* | | *1,887* | *(3,586)* |
| | | *15,053* | *17,345* |
| Finance costs | 7 | (25,943) | (14,495) |
| Finance income | 8 | 1,135 | 198 |
| Depreciation and amortisation | 9 | (17,990) | (11,522) |
| Impairment | 9 | (4,121) | (20,923) |
| **Loss before tax** | | **(31,866)** | **(29,397)** |
| Income tax cost | 10 | (4,624) | (800) |
| **Loss for the year attributable to owners of the parent** | | **(36,490)** | **(30,197)** |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | Year ended 31 December 2019 €'000 | Restated Year ended 31 December 2018 €'000 |
|---|---|---|
| Items that will or may be reclassified to profit or loss | | |
| Loss for the year | (36,490) | (30,197) |
| Other comprehensive income: | | |
| Exchange differences on translation of foreign subsidiaries | (2,701) | (1,021) |
| Write off on debit revaluation balances | - | 3,397 |
| Fair value adjustment on PPE | 67,821 | 34,359 |
| Deferred tax movement on fair value adjustment | (16,998) | (6,054) |
| **Total comprehensive income for the year attributable to owners of the parent** | **11,632** | **484** |

*All transactions arise from continuing operations.*
*The accompanying Notes form an integral part of these consolidated financial statements.*

**Queensgate Generator S.à r.l**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2019

| | Note | 31 December 2019 €'000 | Restated 31 December 2018 €'000 | Restated 1 January 2018 €'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Inventories | | 1,133 | 516 | 319 |
| Trade and other receivables | 15 | 13,739 | 10,261 | 9,870 |
| Cash and cash equivalents | | 48,884 | 19,965 | 22,673 |
| Other financial assets at amortised cost | 23 | 81 | 28 | 27 |
| | | **63,837** | **30,770** | **32,889** |
| **Non-current** | | | | |
| Intangible assets | 12 | 41,285 | 14,072 | 13,959 |
| Property, plant & equipment | 13, 20 | 1,032,586 | 548,807 | 472,563 |
| Deferred tax assets | 14 | 14,223 | - | 1,861 |
| | | **1,088,094** | **562,879** | **488,383** |
| **TOTAL ASSETS** | | **1,151,931** | **593,649** | **521,272** |
| **EQUITY AND LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 16 | 27,605 | 18,084 | 17,221 |
| Non-controlling interest liability | 21 | 1,520 | - | - |
| Income tax liabilities | | 1,612 | 49 | 1 |
| Short term borrowings | 17 | 45,163 | 3,011 | 2,060 |
| | | **75,900** | **21,144** | **19,282** |
| **Non-current liabilities** | | | | |
| Non-controlling interest liability | 21 | 9,341 | - | - |
| Deferred tax liabilities | 14 | 75,905 | 42,384 | 36,361 |
| Interest bearing long-term borrowings | 17 | 596,494 | 293,770 | 258,765 |
| Shareholders' loans | 17 | 149,515 | 139,996 | 133,172 |
| | | **831,255** | **476,150** | **428,298** |
| **Equity** | | | | |
| Share capital | 18 | 32 | 32 | 17 |
| Capital surplus | 18 | 238,101 | 102,669 | 80,505 |
| Share premium | 18 | 696 | 696 | 696 |
| Reserves | | 5,947 | (7,042) | (7,526) |
| **Total equity attributable to owners of the parent** | | **244,776** | **96,355** | **73,692** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,151,931** | **593,649** | **521,272** |

The consolidated financial statements were approved and authorised for issue by the Board of Managers on 2 February 2022 and were signed on its behalf by:

**Jueane Thiessen , Manager**

**Godfrey Abel , Manager**

*The accompanying Notes form an integral part of these consolidated financial statements.*

**Queensgate Generator S.à r.l**

CONSOLIDATED STATEMENT OF CASHFLOWS
As at 31 December 2019

| | Note | Year ended 31 December 2019 €'000 | Restated Year ended 31 December 2018 €'000 |
|---|---|---|---|
| **Cash from operating activities** | | | |
| Loss before tax | | (31,866) | (29,397) |
| Depreciation and amortisation | 9 | 17,990 | 11,522 |
| Impairment | 9 | 4,121 | 20,923 |
| Income tax | | (1,269) | (48) |
| Loss on disposal of property, plant and equipment | | - | 53 |
| Finance income | 8 | (1,135) | (198) |
| Finance costs | 7 | 25,943 | 14,495 |
| **Cash flow from operating activities before working capital changes** | | **13,784** | **17,350** |
| (Increase) in inventory | | (617) | (197) |
| (Increase) in trade & other receivables | | (510) | (391) |
| Increase in trade & other payables | | 1,450 | 863 |
| **Cash generated from operations** | | **14,107** | **17,625** |
| **Cash from investing activities** | | | |
| Acquisition of subsidiary undertakings (net of cash acquired) | 21 | (319,079) | (4,352) |
| Purchase of property, plant & equipment | 13 | (12,497) | (68,690) |
| Purchase of intangible assets | 12 | (3,329) | (673) |
| Interest received | | 43 | (74) |
| **Cash flow used on investing activities** | | **(334,862)** | **(73,789)** |
| **Cash flows from financing activities** | | | |
| Borrowings repaid | | - | (21,110) |
| Repayment of finance leases | | (2,033) | (3,202) |
| Increase in borrowings | | 241,516 | 65,154 |
| Debt issuance costs | | (7,757) | (3,141) |
| Issue of hurdle shares | 18 | - | 15 |
| Capital contributions received | 18 | 135,432 | 22,164 |
| Interest paid | | (13,477) | (7,510) |
| **Net cash generated from financing activities** | | **353,681** | **52,370** |
| **Net (Decrease)/increase in cash and cash equivalents** | | **32,926** | **(3,794)** |
| **Movement in net cash** | | | |
| Cash and cash equivalents, beginning of year | | 19,965 | 22,673 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (4,006) | 1,086 |
| (Decrease)/increase in cash and cash equivalents | | 32,926 | (3,794) |
| **Cash and cash equivalents, at year end** | | **48,885** | **19,965** |

*The accompanying Notes form an integral part of these consolidated financial statements.*

**Queensgate Generator S.à r.l**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

| | *Note* | Share capital €'000 | Capital surplus €'000 | Share premium €'000 | Legal/Net wealth tax reserve €'000 | Translation reserve €'000 | Revenue Revaluation reserve €'000 | Revaluation reserve €'000 | Retained earnings €'000 | Total Equity €'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Restated as at 1 January 2018** | | **17** | **80,505** | **696** | **74** | **1,191** | **-** | **121,369** | **(130,160)** | **73,692** |
| Issue of Hurdle Shares | | 15 | - | - | - | - | - | - | - | 15 |
| Capital surplus increase | | - | 22,164 | - | - | - | - | - | - | 22,164 |
| **Transactions with owners** | | **15** | **22,164** | - | - | - | - | - | - | **22,179** |
| Loss for the year | | - | - | - | - | - | - | - | (30,197) | (30,197) |
| **Other comprehensive income** Exchange difference on translation of subsidiaries | | - | - | - | 3 | (933) | 39 | (17) | (113) | (1,021) |
| Write off on debit revaluation balances | | - | - | - | - | - | - | 3,397 | - | 3,397 |
| Deferred tax movement on fair value adjustment | | | - | | - | - | - | (6,054) | - | (6,054) |
| Fair value adjustment on PPE | *13* | - | - | - | - | - | - | 34,359 | - | 34,359 |
| ***Restated as at 31 December 2018*** | | ***32*** | ***102,669*** | ***696*** | ***77*** | ***258*** | ***39*** | ***153,054*** | ***(160,470)*** | ***96,355*** |

*The accompanying Notes form an integral part of these consolidated financial statements.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

| | Note | Share capital €'000 | Capital surplus €'000 | Share premium €'000 | Legal/Net wealth tax reserve €'000 | Translation reserve €'000 | Revenue Revaluation reserve €'000 | Revaluation reserve €'000 | Retained earnings €'000 | Total Equity €'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Restated as at 1 January 2019** | | **32** | **102,669** | **696** | **77** | **258** | **39** | **153,054** | **(160,470)** | **96,355** |
| IFRS 16 | | - | - | - | - | - | - | - | 1,357 | 1,357 |
| **Restated 1 January 2019** | | **32** | **102,669** | **696** | **77** | **258** | **39** | **153,054** | **(159,113)** | **97,712** |
| Capital surplus increase | *18* | - | 135,432 | - | - | - | - | - | - | 135,432 |
| **Transactions with owners** | | - | **135,432** | - | - | - | - | - | - | **135,432** |
| Loss for the year | | - | - | - | - | - | - | - | (36,490) | (36,490) |
| **Other comprehensive income** | | | | | | | | | | |
| Exchange difference on translation of subsidiaries | | - | - | - | - | (2,701) | - | - | - | (2,701) |
| Deferred tax movement on fair value adjustment | *14* | - | - | - | - | - | - | *(16,998)* | - | *(16,998)* |
| Fair value adjustment on PPE | *13* | - | - | - | - | - | - | 67,821 | - | 67,821 |
| **At 31 December 2019** | | **32** | **238,101** | **696** | **77** | **(2,443)** | **39** | **203,877** | **(195,603)** | **244,776** |

*The accompanying Notes form an integral part of these consolidated financial statements.*

## 1 GENERAL

Queensgate Generator S.à r.l., formerly: Patron Generator S.à r.l. (the "Company") was incorporated on 15 December 2006 for an unlimited period of time as a «Société à responsabilité limitée». The registered office is established in Luxembourg. The financial statements of the Company cover the period from 1 January to 31 December. The Company and its subsidiaries' (the "Group") principal activity during the year was the development and operation of hostels under the "Generator" brand.

## 2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below and are in accordance with applicable International Financial Reporting Standards as adopted by the European Union.

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of each pronouncement. Information on the new standards, amendments and interpretations is provided below. The following new accounting standards are relevant for the Company and effective as from 1 January 2019:

- IFRS 16 Leases
- *Prepayment Features with Negative Compensation – Amendments to IFRS 9*
- *Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28*
- *Annual Improvements to IFRS Standards 2015 – 2017 Cycle*
- *Plan Amendment, Curtailment or Settlement – Amendments to IAS 19*
- *Interpretation 23 Uncertainty over Income Tax Treatments.*

The impact of the adoption of IFRS 16 Leases which resulted in a change in accounting policies is discussed in Note 2.6. The other amendments listed above did not have an impact on the amounts recognised in prior periods and are not expected to significantly impact current or future periods.

Additionally, certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 2.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The details of subsidiaries are listed in Note 22.

Subsidiaries are entities over which the Group exercises exclusive control of the financial and operating policies so as to obtain economic benefits from their activities. Subsidiaries are fully consolidated from the date on which control is obtained (the acquisition date) up until the date that control ceases. The Company does not have any associates or jointly controlled entities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

### 2.2. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37

*Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or* loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### 2.3. Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT. Revenue is reduced for estimated rebates and trade discounts.

Rendering of services

The Group's performance obligation is to provide accommodation and other goods and services to guests. Revenue includes rooms revenue and food and beverage sales, which is recognised when the rooms are occupied and food and beverages are sold.

Rental income

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.

### 2.4. Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange gains and losses. Attributable transaction costs are recognised initially in the carrying value of non-derivative financial instruments, and subsequently amortised using the effective interest rate method.

### 2.5. Foreign currency translation

The consolidated financial statements of the Group are presented in thousands of euros (€'000) which is the Group's presentation currency.

Functional currency is the currency of the primary economic environment in which an entity operates, which in most cases corresponds to local currency. However, certain entities may have a functional currency different from local currency when that other currency is used for an entity's main transactions and better reflects its economic environment.

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing on the date of the transaction. At each reporting date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the consolidated statement of income for the year to which they relate;
- non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical cost applicable at the date of the transaction.

The statements of financial position of these subsidiaries with a functional currency other than the euro (the presentation currency) are translated into euros at the official year-end exchange rates. Income statement and cash flow statement items are translated using the average exchange rate for the year. Any differences arising from the translation of the financial statements of these subsidiaries are recorded under "Cumulative translation differences" as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are classified as assets and liabilities of those foreign entities and are therefore denominated in the functional currencies of the entities and translated at the year-end exchange rate.

The Group exchange rates to the Euro are set out as follows:

| | **2019** | | **2018** | |
|---|---|---|---|---|
| | **Closing rate to EUR** | **YTD average to EUR** | **Closing rate to EUR** | **YTD average to EUR** |
| GBP | 1.1755 | 1.1414 | 1.1128 | 1.1303 |
| DKK | 0.1338 | 0.1339 | 0.1339 | 0.1342 |
| USD | 0.8915 | 0.8945 | 0.8738 | 0.8473 |
| SEK | 0.0954 | 0.0943 | 0.0979 | 0.0975 |

### 2.6. Leases

With effect from 1 January 2019, the Group has adopted IFRS 16 'Leases'. Lessees are required to recognise on the statement of financial position 'right-of-use' assets which represent the right to use underlying assets during the lease term and a lease liability representing the minimum lease payment for all leases. Depreciation of 'right-to-use' assets and interest on lease liabilities is charged to the income statement, replacing the corresponding operating lease rentals.

The Group has adopted IFRS 16 using the 'modified retrospective approach' from 1 January 2019 and therefore the comparative information has not been restated as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

i. The Group's leasing activities and how these are accounted for

The Group leases a small number of hotel buildings and office spaces. Rental contracts vary from fixed periods of < 1 year to 99 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. For leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

ii. Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Measurement of lease liabilities summarised as follows:

| | **1 January 2019** |
|---|---|
| | **€'000** |
| Operating lease commitments disclosed as at 31 December 2018 | 43,364 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | (13,187) |
| Add: finance lease liabilities recognised as at 31 December 2018 | 27,556 |
| (Less): short-term leases not recognised as a liability | (200) |
| (Less): low-value leases not recognised as a liability | (337) |
| Add/(less): contracts reassessed as lease contracts | - |
| Add/(less): adjustments as a result of a different treatment of extension and termination options | - |
| Add/(less): adjustments relating to changes in the index or rate affecting variable payments | - |
| **Lease liability recognised as at 1 January 2019** | **57,196** |

| Of which are: | **1 January 2019** |
|---|---|
| Current lease liabilities | 3,938 |
| Non-current lease liabilities | 53,258 |
| | **57,196** |

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by QG S.à r.l Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

*Right of use assets*

Right-of-use assets are initially measured at cost upon implementation of IFRS 16, comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets relating to Land and Buildings are subsequently measured using the revaluation model, in line with Freehold Land and Buildings, which is determined using external professional evaluation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is related to the revalued amount of the asset.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The rates generally applicable were:

- Right of use assets Lower of useful life/lease term

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT and office equipment.

See Note 20 for further details of the amounts recognised in the statement of financial position and the statement of profit and loss.

*Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

*Critical judgements in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of hotel buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options have been included in the lease liability where significant development works are expected to be invested in the underlying assets and where payment terms are largely unchanged in the extension period.

**2.7. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.8. Intangible assets**

*Goodwill*

Goodwill is measured as the excess of the aggregate of:

- the consideration transferred;
- the amount of any non-controlling interests in the acquiree; and
- in a business combination achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree;

over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

The amount of goodwill recognised at the acquisition date cannot be adjusted after the end of the measurement period.

Goodwill is not amortised but tested for impairment each year, or more frequently where an indication of impairment is identified. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*Other intangible assets*

Intangible asset, which are an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired as part of a business combination, are shown at fair value at the date of the acquisition (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is charged on a straight-line basis through the income statement.

The rates applicable, which represent the Manager's best estimate of the useful economic life are:

| | |
|---|---|
| • Generator/Freehand brands | Indefinite – not amortised |
| • Software | 5 years straight line basis |
| • Liquor licences | Over the life of the licence |

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Management have reviewed the useful life of brands in line with IAS 38 and concluded there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Management assess the useful life of brands at each reporting period and when useful life can be determined the assets will be amortised over their remaining life.

### 2.9. Property, plant and equipment

Properties in the course of construction for supply purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy (see Note 2.7 for further details). Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

During the year, property, plant and equipment are accounted for at revalued amount, being the fair value, which is determined using external professional evaluation (fair value hierarchy Level 3).

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is related to the revalued amount of the asset.

The rates generally applicable were:

- Freehold Property & improvements — 50 years straight line basis
- Land — Not depreciated
- Fixtures, Fittings & Equipment — 5 - 20 years straight line basis

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

The assets residual value and useful lives are reviewed, and adjusted if required, at each reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

### 2.10. Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**2.11. Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value corresponds to the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined based on the first-in, first-out method or the weighted average cost formula.

**2.12. Taxation**

Income tax expense represents the sum of the deferred tax and current tax payable.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to recognise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting 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. Where assets are not yet trading or where it is not certain that sufficient taxable profits will arise within two years deferred tax is not recognised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognise, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, 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 taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

*Current and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**2.13. Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting sheet date, including the risks and uncertainties associated with the present obligation.

**2.14. Financial Instruments**

Financial instruments are recognised and measured in accordance with IFRS 9 and IAS 32.

**2.14.1 Financial assets**

On initial recognition, the Group classifies its financial assets as being subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). Financial assets are broken down into current and non-current assets in the statement of financial position.

Financial assets which are held to collect contractual cash flows and give rise to cash flows that are solely payments of principal and interest on the principal outstanding are subsequently measured at amortised cost. Interest on these assets is calculated using the effective interest rate method and is recognised in the income statement as interest income.

The Group does not currently hold any financial assets which are measured at fair value through other comprehensive income or at fair value through profit or loss.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans receivables (including bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment substantially corresponding to nominal value.

Trade receivables are recorded at their original amount less provision for expected credit losses. The Group has elected to apply the simplified version of the expected credit loss model permitted by IFRS 9 in respect of trade receivables, which involves assessing lifetime expected credit losses on all balances. The carrying amount of the receivable is reduced through the use of a provision account and movements in the provision are recognised in the income statement within cost of sales.

When a previously provided trade receivable is uncollectable, it is written off against the provision.

At each reporting date, the Group assess whether trade receivables are credit impaired.

*Financial assets at fair value through profit or loss*

These financial assets meet the qualification or designation criteria set out in IFRS 9. Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. This item mainly includes trading securities and short-term investments which do not meet the criteria for classification as cash or cash equivalents. The financial assets are measured at fair value at the statement of financial position date and changes in fair value are recorded in the consolidated income statement.

**2.14.2 Financial liabilities**

Financial liabilities include borrowings, trade and other payables, derivative financial instruments and other financial liabilities. Financial liabilities are broken down into current and non-current liabilities in the consolidated statement of financial position.

*Borrowings and other financial liabilities*

Borrowings and other financial liabilities are measured at amortised cost using the effective interest rate method. On initial recognition, any issue or redemption premiums and discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortised cost method.

The Group derecognises financial liabilities when, and only when, the Group'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.

*Derivative financial instruments*

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps and interest rate caps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**2.14.3 Fair value measurement**

Fair value disclosures are required for financial assets and liabilities. When measuring fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identified assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**2.15. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

Restricted cash represents funds held in escrow for the payment of operating expenses, furniture, fixtures and equipment replacements, and interest. The group places its restricted cash with quality financial institutions and believes it is not exposed to significant concentrations of credit risk on restricted cash. These amounts cannot be used by the group for other than the stated purpose of the respective restricted cash account. Restricted cash included in cash and cash equivalents consists of the following:

| | **Year ended 31 December 2019 €'000** |
|---|---|
| Real estate tax escrow | 211 |
| Insurance escrow | 658 |
| Cash collateral | 3,127 |
| Interest reserve | 12,846 |
| Master lease reserve | 1,337 |
| Seasonality and other reserves | 4,444 |
| HTC reserve | 624 |
| | 23,247 |

**2.16. Impact of Covid-19 on the Group subsequent to year end and material uncertainty related to going concern**

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the hotels within the group after the year end, as it has on all hotels worldwide. It is too early to know the precise impact this will have on the medium and long term trading horizon as the situation continues to evolve and with different impacts and levels of support provided to businesses in the different countries in which the group operates. The Group revenue for respectively 2020 and 2021 is estimated to be €46.5m (38% of 2019 revenue) and €66.2m (54% of 2019 revenue) in 2021.

However, the managers are taking comprehensive steps to ensure that the business is able to continue in operation for the foreseeable future. Cost savings have been made wherever possible at both a marginal and fixed cost level, taking advantage of Government supported measures, such as loans and grants, furloughing of employees and tax deferral schemes for the period that these are available. Queensgate Generator has previously traded with strong EBITDA performance and it is the expectation of the managers that normal operations will be able to resume relatively quickly once the restrictions in relation to COVID-19 and international travel are lifted with the group expecting to be ahead of many in the industry in terms of recovery.

The Company is a holding entity for the wider Group, but relies on the cash flows of entities within the Group. It is therefore, the status of the Group which is relevant in the assessment of the going concern assumption. The Group operates with five senior debt facilities, which in connection with an additional €90m financing secured in February 2021 (fully drawn at the date of approval of the financial statements), were amended to acknowledge and work with the adverse impact of COVID-19 restrictions, following breaches of covenants after the balance sheet date. At this time, it was ensured that covenants within the senior debt facilities were reset and not tested again until Q3 2022. The prolonged restrictions in place in the key markets for the Group and the so called third wave of the pandemic across Europe, has resulted in additional cash financing being required to provide operational capital and to protect against further shocks.

The shareholders have been provided with detailed forecasts for the business and agreed to provide additional funding in August 2021. €32.3m has been received at the date of approval of the financial statements of which approximately €12m is undrawn. Based on the projected cash flows prepared for the next twelve months, additional drawdowns from the shareholders' loan (€12m) might be necessary even though not for the whole amount. The projection of the cash flows in the next twelve months is built on the assumption that the Group will be able to generate approximatively 85% of the cumulated revenue of Freehand and Generator hotels during the financial year 2019 on a twelve months basis.

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In the case that the expected cash flow is not achieved and the remainder of the shareholders' loan has to be fully called, the Group may need to seek potential additional financial support currently not secured, which could also impact negatively the covenants in place. The managers cannot exclude this scenario and therefore a material uncertainty related to going concern exists, especially given the current economic context. The Managers are however confident that the forecasts are achievable and that the Group will be able to continue to trade and meet its liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements. The financial statements do not include the adjustments that would result if the Group and Parent Company was unable to continue as a going concern

**2.17. Prior period restatement**

During the current year, errors were identified in respect of prior periods. The errors related to:

- an overstatement of VAT receivables within one of the European sites (€516k);
- an understatement of finance lease liabilities within one of the European sites (€781k);
- an understatement of amortisation of capitalised borrowings costs (€823k);
- an overstatement of depreciation and revaluation adjustment (€762k);
- an overstatement of accumulated depreciation and fair value gains within historical reserves (€5,581k);
- incorrect classification of leasehold property as freehold property (Cost €18,029k and accumulated depreciation €154k) as restated in the opening position of Note 13. This reclassification does not affect the primary statements of the Group;
- an understatement of deferred tax liabilities (€4,488k);
- a reclassification of loan arrangement fees from other assets to third party loans (€3,992k); and
- a reclassification of deferred tax movements within historical reserves (€31,185k).

Given the significance of these errors in aggregate to users of the financial statements the errors were corrected retrospectively in the current period in line with IAS 8.

*i. Impact on consolidated income statement and statement of comprehensive income*

The impact of the retrospective adjustments has resulted in a €5,065k increase in loss attributable to owners of the parent for the year ended 31 December 2018, and a €5,827k reduction in total comprehensive income for the year attributable to owners of the parent as follows:

| | 2018 | Adjustment | 2018 Restated |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| Administrative expenses | (57,540) | (516) | (58,056) |
| Finance costs | (13,672) | (823) | (14,495) |
| Depreciation and amortisation | (12,284) | 762 | (11,522) |
| Income tax expense | 3,688 | (4,488) | (800) |
| Other items of income and expenditure | 75,599 | - | 75,599 |
| Loss for the year attributable to owners of the parent | (25,132) | (5,065) | (30,959) |
| Other items of comprehensive income and expenditure | (3,678) | (762) | (3,678) |
| Total comprehensive income for the year attributable to owners of the parent | 6,311 | (5,827) | 484 |

ii. *Impact on consolidated statement of financial position*

In 2017, the retrospective adjustment has resulted in a €781k decrease in equity and corresponding increase in liabilities. The main adjustment relates to the reclassification of deferred tax movements (€31.1m) pertaining to the revaluation of PPE from retained earnings to revaluation reserves and overstatement of prior year depreciation and fair value movements (€5.6m).

| | 2017 | Adjustment | 2017 Restated |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| Third party loans | 257,984 | 781 | 258,765 |
| Revaluation reserve | 158,135 | (36,766) | 121,369 |
| Retained earnings | (166,145) | 35,985 | (130,160) |
| **Total equity and liabilities** | **521,272** | - | **521,272** |

In 2018, the adjustments have resulted in a €5,261k decrease in assets, a €6,608k decrease in total equity and a €1,347k increase in liabilities. A reclassification of deferred tax movements pertaining to the revaluation of PPE in 2018 was also recorded between revaluation reserves and retained earnings for €6,054k.

| | 2018<br>€'000 | Adjustment<br>€'000 | 2018 Restated<br>€'000 |
|---|---|---|---|
| Trade and other receivables | 10,777 | (516) | 10,261 |
| Investments and other financial assets | 4,773 | (4,745) | 28 |
| **Total assets** | **598,910** | **(5,261)** | **593,649** |
| Third party loans | 296,911 | (3,141) | 293,770 |
| Deferred tax liability | 37,896 | 4,488 | 42,384 |
| Revaluation reserve | 196,636 | (43,582) | 153,054 |
| Retained earnings | (197,444) | 36,974 | (160,470) |
| **Total equity and liabilities** | **598,910** | **(5,261)** | **593,649** |

## 3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

*Impairment of goodwill*

The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on the value in use calculations. The use of this method requires the estimation of future cash flows attributable to the acquired cash-generating unit and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary.

*Intangible assets and impairments*

The Group recognises the intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon Management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate discount rate. Furthermore, Management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly, and in the case of indefinite useful life, an annual impairment test has to be performed.

*Depreciation of property, plant and equipment*

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in Note 2.9.

*Revaluation of land and buildings*

The fair value of Freehold Land and Buildings and Leasehold Buildings has been determined on a value-in-use. The value-in-use calculations have been prepared by an external expert over a 10 year period, using management's cost and revenue projections for years one to 5, then applying future growth assumptions on a site by site basis to both revenue and cost for years six to ten.

The underlying valuations are sensitive to changes in the significant unobservable inputs, with a decrease to revenue and resulting EBITDA (or increase to future capex or discount rates) being expected to lead to result in a reduction in valuation.

*Financial instruments*

To determine the fair value of financial instruments that are not listed on an active market, the Group uses valuation techniques that are based on certain assumptions. Any change in these assumptions could have a material impact on the resulting calculations.

*Measurement of tax loss carry-forward assets*

Deferred tax assets are recognised on tax loss carry-forwards when it is probable that taxable profit will be available against which the tax loss carry-forwards can be utilised. The probability that taxable profit will be available against which the unused tax losses can be utilised, is based on taxable temporary differences relating to the same taxation authority and the same taxable entity and estimates future taxable profits. These estimates and utilisations of tax loss carry-forwards were prepared on the basis of profit and loss forecasts as included in the medium-term business plan and, if necessary, on the basis of additional forecasts.

## 4 REVENUE BY GEOGRAPHIC LOCATION

| | Year ended 31 December 2019 €'000 | Year ended 31 December 2018 €'000 |
|---|---|---|
| Europe | 91,421 | 87,008 |
| USA | 31,053 | 2,086 |
| | **122,474** | **89,094** |

## 5 COST OF SALES

| | Year ended 31 December 2019 €'000 | Year ended 31 December 2018 €'000 |
|---|---|---|
| Food and beverage supplies | 8,331 | 5,358 |
| Commissions | 6,776 | 5,391 |
| Laundry | 3,120 | 2,175 |
| Shop supplies | 905 | 769 |
| | **19,132** | **13,693** |

## 6 ADMINISTRATION EXPENSES

| | Year ended 31 December 2019 €'000 | Restated Year ended 31 December 2018 €'000 |
|---|---|---|
| Auditor's remuneration | 567 | 400 |
| Auditor's remuneration (non-audit related services) | 4 | 65 |
| Labour costs (including contractors) | 38,057 | 27,118 |
| Legal and professional costs | 3,991 | 339 |

| | | |
|---|---|---|
| Operating lease rentals - land and building | 1,279 | 3,460 |
| Premises costs - rates and insurance | 8,575 | 2,497 |
| Other administrative expenses | 35,816 | 23,138 |
| Exceptional expenses | - | 1,039 |
| | **88,289** | **58,056** |

The Management classifies all direct and indirect costs of the hostels that are not in activity as administration expenses. Other administrative expenses include the operating expenses for the Group's head office and hostels under development other than those listed above.

## 7 FINANCE COSTS

| | **Year ended 31 December 2019 €'000** | **Restated Year ended 31 December 2018 €'000** |
|---|---|---|
| Interest payable on bank borrowings | 12,532 | 6,478 |
| Interest payable on finance leases | 2,141 | 1,032 |
| Amortisation of loan arrangement fees | 1,752 | 1,098 |
| Interest payable on related party borrowings | 9,518 | 5,887 |
| | **25,943** | **14,495** |

## 8 FINANCE INCOME

| | **Year ended 31 December 2019 €'000** | **Year ended 31 December 2018 €'000** |
|---|---|---|
| Bank interest receivable | 43 | 74 |
| Foreign exchange gains | 1,092 | 71 |
| Gains on valuation of interest hedging instruments | - | 53 |
| | **1,135** | **198** |

## 9 DEPRECIATION, AMORTISATION AND IMPAIRMENT

| | **Year ended 31 December 2019 €'000** | **Restated Year ended 31 December 2018 €'000** |
|---|---|---|
| Depreciation of property, plant and equipment | 17,558 | 11,044 |
| Amortisation of intangible fixed assets | 432 | 478 |
| **Depreciation and amortisation** | **17,990** | **11,522** |
| | | |
| Impairment of property, plant and equipment | 2,351 | 20,923 |
| Impairment of intangible assets | 1,770 | - |
| **Impairment** | **4,121** | **20,923** |

## 10 INCOME TAX

| | Year ended 31 December 2019 €'000 |
|---|---|
| **Luxembourg Corporation Tax** | |
| Luxembourg Corporation tax on profits of the period (at 24.94%) | 274 |
| Adjustments in respect of previous periods | 48 |
| | 322 |
| **Foreign tax** | |
| Current year | 1,950 |
| Adjustments in respect of previous periods | 52 |
| | 2,002 |
| **Current tax charge/(credit)** | **2,324** |
| **DEFERRED TAX** | |
| Origination and reversal of temporary differences - CY | 3,093 |
| Origination and reversal of temporary differences - PY | (760) |
| Effect of changes in tax rate | (33) |
| **Deferred tax charge/(credit)** | 2,300 |
| **Income tax charge** | **4,624** |

| | Year ended 31 December 2019 €'000 | Year ended 31 December 2018 €'000 |
|---|---|---|
| Loss before tax from continuing operations | (31,866) | (29,397) |
| Income tax using Luxembourg's tax rate of 24.94% (2018: 26.01%) | 7,948 | 7,646 |
| **Effect of:** | | |
| Expenses not deductible for tax purposes/non-taxable income | (791) | 869 |
| Movement in unrecognised deferred tax | (8,566) | (6,543) |
| Tax rate changes | 33 | - |
| Impact of foreign tax rates | (1,288) | 333 |
| Transfer pricing | (316) | (279) |
| Adjustments to tax in respect of prior periods | (1,644) | (4) |
| Origination and reversal of timing differences | - | (1,830) |
| Other timing differences | - | (1,056) |
| Depreciation in excess of capital allowances | - | 82 |
| Fair value adjustments | - | 10 |

| | | |
|---|---|---|
| Additional Tax | - | (28) |
| **Income tax charge** | **(4,624)** | **(800)** |

## 11 Managers and Employees

The average number of persons (including Managers) employed by the Group during the year was:

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Administration | 39 | 62 |
| Operations | 911 | 479 |
| | 950 | 541 |

The aggregate cost of these employees was:

| | Year ended 31 December 2019 €'000 | Year ended 31 December 2018 €'000 |
|---|---|---|
| Wages and salaries | 33,215 | 17,809 |
| Payroll taxes | 4,842 | 3,089 |
| | 38,057 | 20,898 |

No Managers of the Company received any emoluments during the year (2018: nil).

## 12 INTANGIBLE ASSETS

| | Note | Goodwill €'000 | Brand €'000 | Software and other intangible assets €'000 | Total €'000 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| **At 1 January 2018** | | **8,988** | **3,438** | **2,983** | **15,409** |
| Additions | | - | - | 673 | 673 |
| Disposals | | - | - | - | - |
| Exchange difference on translation | | (73) | - | (9) | (82) |
| **At 31 December 2018** | | **8,915** | **3,438** | **3,647** | **16,000** |
| Additions | | - | - | 3,329 | 3,329 |
| Acquisitions | 21 | 7,813 | 17,830 | 262 | 25,905 |
| Disposals | | - | - | - | - |
| Exchange difference on translation | | 343 | - | 142 | 142 |
| **At 31 December 2019** | | **17,071** | **21,268** | **7,380** | **45,719** |
| **ACCUMULATED AMORTISATION AND IMPAIRMENT** | | | | | |
| **At 1 January 2018** | | - | - | **(1,450)** | **(1,450)** |
| Charge for the year | 9 | - | - | (478) | (478) |
| Impairment losses | | - | - | - | - |
| Exchange difference on translation | | - | - | - | - |
| **At 31 December 2018** | | | | **(1,928)** | **(1,928)** |
| Charge for the year | 9 | - | - | (432) | (432) |
| Impairment losses | | (1,770) | - | - | (1,770) |
| Exchange difference on translation | | - | - | (305) | (305) |
| **At 31 December 2019** | | **(1,770)** | - | **(2,665)** | **(4,434)** |
| **NET BOOK VALUE** | | | | | |
| **At 31 December 2018** | | **8,915** | **3,438** | **1,719** | **14,072** |
| **At 31 December 2019** | | **15,301** | **21,268** | **4,715** | **41,285** |

*Goodwill*

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. Additions to goodwill in the period relate to the purchase of 4 Freehand Hotels. The recoverable amount of all cash generating units has been determined on a value-in-use basis. Value-in-use calculations for each cash generating unit are based on projected pre-tax discounted cash flows together with a discounted terminal value. The cash flows have been discounted at pre-tax rates reflecting the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. The key assumptions contained in the value-in-use calculations include the future revenues, future EBTIDA achieved, future CAPEX expenditure, the assumed life of the business and the discount rates applied.

The value-in-use calculations have been prepared using management's cost and revenue projections for the next five years. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 31 December 2024, incorporating the assumption for growth beyond this date for the respective sites.

The value-in-use estimates indicated that the recoverable amount of goodwill exceeded the carrying value for each of the Rome and London cash generating units. The value-in-use estimates indicated that the recoverable amount of goodwill did not exceed the carrying value for the Venice cash generating unit and as a result an impairment has been recognised in respect of the carrying value of goodwill in the year.

| | Goodwill carrying amount | |
|---|---|---|
| | 31 December 2019 | 31 December 2018 |
| | €'000 | €'000 |
| Generator Hostels - London | 6,429 | 6,086 |
| Generator Hostels – Rome | 70 | 70 |
| Generator Hostels – Venice | 989 | 2,759 |
| Freehand Hotels | 7,813 | - |
| | 15,301 | 8,915 |

The recoverable amounts of the above CGUs have been determined from value in use calculations based on the cashflow projections from formally approved budgets. Other major assumptions are as follows:

| 2019 | Generator Hostels - London % | Generator Hostels – Rome % | Generator Hostels – Venice % |
|---|---|---|---|
| Discount rate | 5.73 | 5.73 | 5.75 |
| Growth rate* | 1.5 | 1.5 | 1 |

*The growth rate assumption only applies to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

*Brand*

The Group tests the Generator Brand for impairment annually or where there is an indication that this might be impaired. The recoverable amount of the asset has been determined on a value-in-use basis. Value-in-use calculations for the Generator Brand are based on projected royalty rates (based on a percentage of revenues generated) equivalent to the expected licence fees for using a comparable brand. The cash flows have been discounted at pre-tax rates reflecting the Group's weighted average cost of capital (estimated at 5.01%). The key assumptions contained in the value-in-use calculations include the future revenues, expected royalty rates and the discount rates applied.

The value-in-use calculations have been prepared using management's revenue projections for the next five years.

The value-in-use estimates indicated that the recoverable amount of the Generator Brand exceeded the carrying value (€3.4m). As a result, no impairment has been recognised in respect of the carrying value in the year.

On 11 October 2019 the group acquired the Freehand Brand. Given the proximity of the transaction date to the year end no formal impairment test has been performed at 31 December 2019. Management is not aware of any circumstances which would indicate a write down of the value at 31 December 2019 is required.

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Assets in course of construction | Leasehold and ROU assets | Freehold property improvements | Fixture fittings & equipment | Total |
|---|---|---|---|---|---|
| **COST** | | | | | |
| **Restated At 1 January 2018** | **57,508** | **74,286** | **358,588** | **24,240** | **514,622** |
| Additions | 30,827 | 131 | 39,569 | 2,716 | 73,243 |
| Disposals | (35) | - | - | (18) | (53) |
| Reclassification | (65,364) | - | 61,868 | 3,496 | - |
| FV valuation | - | 3,869 | 30,491 | - | 34,360 |
| Exchange diff. on translation | 120 | (244) | (4,664) | 288 | (4,500) |
| **At 31 December 2018** | **23,056** | **78,042** | **485,852** | **30,722** | **617,672** |
| IFRS 16 on opening | - | 41,862 | - | - | 41,862 |
| **At 1 January 2019** | **23,056** | **119,904** | **485,852** | **30,722** | **659,534** |
| Additions | 6,081 | 124 | 860 | 5,433 | 12,498 |
| Disposals | (1) | - | (32) | (297) | (330) |
| Acquisition of business | - | 236,821 | 145,711 | 4,654 | 387,186 |
| Reclassification | (27,557) | 70 | 25,601 | 1,886 | - |
| FV valuation | - | (373) | 8,014 | - | 7,641 |
| Exchange diff. on translation | - | (165) | 6,368 | 265 | 6,468 |
| **At 31 December 2019** | **1,579** | **356,381** | **672,374** | **42,663** | **1,072,997** |
| **ACCUMULATED DEPRECIATION** | | | | | |
| **At 1 January 2018** | - | **(3,452)** | **(25,926)** | **(12,681)** | **(42,059)** |
| Restated charge for the year | - | (2,494) | (5,396) | (3,154) | (11,044) |
| Disposals | - | - | - | - | - |
| Reclassification | - | - | - | - | - |
| Impairment | - | (1,193) | (19,730) | - | (20,923) |
| FV valuation | - | - | - | - | - |
| Restated exchange diff. on translation | - | 1,404 | 3,764 | (7) | 5,161 |
| **At 31 December 2018** | - | **(5,735)** | **(47,288)** | **(15,842)** | **(68,865)** |
| IFRS 16 on opening | - | (10,865) | - | - | (10,865) |
| **At 1 January 2019** | - | **(16,600)** | **(47,288)** | **(15,842)** | **(79,730)** |
| Charge for the year | - | (3,288) | (9,843) | (4,427) | (17,558) |
| Disposals | - | - | - | (121) | (121) |
| Reclassification | - | - | - | 20 | 20 |
| Impairment | - | (624) | (1,727) | - | (2,351) |
| *FV valuation* | - | *20,470* | *39,710* | - | *60,180* |
| Exchange diff. on translation | - | - | (742) | (109) | (851) |
| **At 31 December 2019** | - | **(42)** | **(19,890)** | **(20,479)** | **(40,411)** |
| **NET BOOK VALUE** | | | | | |
| **At 31 December 2018** | **23,056** | **72,307** | **438,564** | **14,879** | **548,807** |
| **At 31 December 2019** | **1,579** | **356,339** | **652,484** | **22,184** | **1,032,586** |

As Freehold Land and Buildings and Leasehold Buildings are not traded in an active market, fair value is determined using valuation techniques based on unobservable market data and rely as little as possible on entity-specific estimates (fair value hierarchy Level 3).

The fair value of Freehold Land and Buildings and Leasehold Buildings has been determined on a value-in-use basis by independent valuation experts. The value-in-use calculations have been prepared by an external expert over a 10 year period, using management's cost and revenue projections for years one to 5, then applying future growth assumptions on a site by site basis to both revenue and cost for years six to ten. Historic trading performance, forecasts for the current financial year, competitor set performance and prevailing market conditions have been considered in the context of the fair valuation exercise. There were no changes to the valuation techniques during the period.

The capitalisation and discount rates used within the valuations are based on selected comparables and current investor sentiment. Significant unobservable inputs contained in the value-in-use calculations include the future revenues, future EBTIDA achieved, future CAPEX expenditure, the assumed life of the *business and the discount rates applied.*

Significant unobservable inputs used in level 3 valuations are:

| **Unobservable inputs** | **Range of inputs** |
|---|---|
| Occupancy | 73% - 90% |
| Discount rates | 7.5% - 9% |
| Inflation | 2% |

The underlying valuations are sensitive to changes in the significant unobservable inputs, with a decrease to revenue and resulting EBITDA (or increase to future capex or discount rates) being expected to lead to result in a reduction in valuation.

*Carrying amounts that would have been recognised if Freehold and Leasehold property improvements and ROU assets were stated at cost*

If Freehold and Leasehold property improvements and ROU assets were stated on the historical cost basis, the amounts would be €746m.

## 14 Deferred Taxation Assets and Liabilities

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| | **€'000** | **€'000** |
| **Deferred tax assets** | | |
| Timing differences | 1,345 | - |
| Tax losses | 12,878 | - |
| **Deferred tax liabilities** | | |
| Intangible assets | (857) | (931) |
| Property, plant and equipment | (75,048) | (41,453) |
| | (61,682) | (42,384) |

Reconciliation of movement in deferred tax:

| | Intangible assets €'000 | Property, plant and equipment €'000 | Timing differences €'000 | Tax losses €'000 | Total €'000 |
|---|---|---|---|---|---|
| Restated at 31 December 2018 | (931) | (41,453) | - | - | (42,384) |
| Recognised in the consolidated income statement | 74 | (16,597) | 1,345 | 12,878 | (2,300) |
| Recognised in the consolidated statement of comprehensive income | - | (16,998) | - | - | (16,998) |
| **At 31 December 2019** | **(857)** | **(75,048)** | **1,345** | **12,878** | **(61,682)** |

The Group had unrecognised net deferred tax balances of circa 23,664k as at 31 December 2019.

### 15 TRADE AND OTHER RECEIVABLES

| | 31 December 2019 €'000 | Restated 31 December 2018 €'000 |
|---|---|---|
| Trade receivables | 3,944 | 2,145 |
| Prepayments | 5,660 | 2,923 |
| Other receivables | 4,135 | 5,193 |
| | **13,739** | **10,261** |

All trade receivable amounts are short term. All of the Group's trade and other receivables have been reviewed for indicators of impairment and no impairment indicators have been identified. The carrying value is considered a fair approximation of their fair value. The carrying value of goods and services tax receivable has been recognised within other receivables.

### 16 TRADE AND OTHER PAYABLES

| | 31 December 2019 €'000 | 31 December 2018 €'000 |
|---|---|---|
| Trade payables | 4,560 | 4,260 |
| Other payables | 4,852 | 3,057 |
| Accruals | 14,435 | 7,970 |
| Deferred income | 3,758 | 2,797 |
| | **27,605** | **18,084** |

All amounts are short term and the Managers consider that the carrying value of trade payables, other payables and accruals are considered to be a reasonable approximation of fair value. The carrying value of goods and services tax payable has been recognised as a balance within other payables.

## 17 MATURITY OF FINANCIAL LIABILITIES

| | 31 December 2019 | Restated 31 December 2018 |
|---|---|---|
| **CURRENT** | **€'000** | **€'000** |
| Bank loans – secured | 38,296 | 979 |
| Lease liabilities | 6,867 | 2,032 |
| | **45,163** | **3,011** |
| **NON-CURRENT** | | |
| Bank loans – secured | 472,270 | 268,246 |
| Lease liabilities | 124,224 | 25,524 |
| | **596,494** | **293,770** |
| **Total external debt** | **641,657** | **296,781** |
| Loans from shareholders | 149,515 | 139,996 |
| **Total intercompany debt** | **149,515** | **139,996** |
| **TOTAL DEBT** | **791,172** | **436,777** |

The types of loan, interest rates and security can be categorised as follows:

| Type | Security | Location | Effective Interest Rate | 31 December 2019 €'000 | Restated 31 December 2018 €'000 |
|---|---|---|---|---|---|
| Bank loan | Note (1) | Venice | 1.89% | 8,772 | 8,759 |
| Bank loan | Note (2) | Dublin | 1.85% | 19,411 | 19,466 |
| Bank loan | Note (1) | Rome | 2.34% | 8,060 | 8,060 |
| Bank loan | Note (3) | Miami | 4.62% | 21,808 | 21,542 |
| Bank loan | Note (3) | Washington | 5.38% | 36,490 | 35,766 |
| Bank loan | Note (4) | MidCo1 | 2.57% | 88,621 | 87,932 |
| Bank loan | Note (4) | MidCo2 | 2.57% | 88,621 | 87,932 |
| Bank loan | Note (5) | New York | 7.32% | 130,909 | - |
| Bank loan | Note (6) | Chicago | 2.45% | 23,211 | - |
| Bank loan | Note (6) | Los Angeles | 6.91% | 69,541 | - |
| Bank loan | Note (6) | Miami | 8.06% | 15,122 | - |
| Shareholders loan | Unsecured | QG S.à r.l | Profit participation | 149,515 | 139,996 |
| Finance lease | Note (7) | Paris | 3.80% | 25,524 | 27,324 |
| Finance lease | Note (8) | New York | 1.76% | 78,378 | - |
| Operating lease | Unsecured | Stockholm | 2.61% | 25,483 | - |
| Operating lease | Unsecured | Berlin | 2.61% | 1,706 | - |

**Note 1** The Group has granted property as security for the bank loan.
**Note 2** The Group has granted property as security for the bank loan.
**Note 3** The Group has granted property as security for the bank loan.
**Note 4** The Group has granted property as security for the bank loan.
**Note 5** The Group has granted property as security for the bank loan.
**Note 6** The Group has granted property as security for the bank loan. Note that included within the loan balances noted is Mezzanine debt of $40m USD, allocated as follows: Freehand New York $21.8m; Freehand LA $11.7m; Freehand Miami $2.564m; Freehand Chicago $3.936m.
**Note 7** The Group's obligations under finance leases are secured by the lessors' title to the lease assets.
**Note 8** The Group's obligations under finance leases are secured by the lessors' title to the lease assets.

*Loans repayable*

Included within financial liabilities at 31 December 2019 were the following loans repayable:

| | 31 December 2019 €'000 | 31 December 2018 €'000 |
|---|---|---|
| Within 1 year | 38,296 | 3,011 |
| Within 1-2 years | 455,438 | - |
| Within 2-5 years | 16,832 | 293,770 |
| Over 5 years | 149,515 | 139,996 |
| | **660,081** | **436,777** |

*Lease liabilities*

Lease liabilities are payable as follows:

| | 31 December 2019 €'000 |
|---|---|
| Within 1 year | 6,867 |
| Within 1-2 years | 6,548 |
| Within 2-5 years | 23,432 |
| Over 5 years | 94,244 |
| | **131,091** |

**Paris lease**
The Group leases the property that it operates in Paris under a finance lease agreement with a term of 15 years from May 2015, an interest rate of 3.55%, a purchase option of 1 euro and the following guarantees pledged by Generator Hostels Paris, S.A.U.:

- The financial securities account and the bank account are allocated as first order non-recourse collateral in guarantee of the payment for the lease.
- The commitment to maintain the DSCR (Debt Service Coverage Ratio) at 130% or more during the term of the lease.
- The down-payment is allocated as collateral for the lease.
- The funds generated by the hospitality business run in the building are allocated as collateral for up to a sum equal to three years of rent (€17,395k).
- The payment of management fees will be subordinated to the prior payment of rent and pre-rent.
- The intangible aspects arising from the lease are allocated as collateral.

**New York lease**
The Group leases the property that it operates in New York under a finance lease agreement with a term of 99 years from June 2016. The finance lease bears interest at an incremental borrowing rate of 1.76%. Rent is comprised of a fixed and variable element, with variable rent based on the consumer price index from year 6 onwards. Management do not expect any extensions to the current term of the lease.

Lease liabilities recognised on operating leases are described in further detail at Note 2.6 and 20.

*Net debt reconciliation*

| | Borrowings €'000 | Leases €'000 |
|---|---|---|
| Net debt as at 1 January 2018 | 363,471 | 30,526 |
| Cashflows | 44,044 | (3,202) |
| Acquisitions | - | - |
| Accrued interest and other non-cash changes | 1,965 | - |
| Net debt as at 31 December 2018 | **409,480** | **27,297** |
| | | |
| Net debt as at 1 January 2019 | 409,480 | 27,297 |
| Implementation of IFRS 16 | - | 29,899 |
| | **409,480** | **57,196** |
| | | |
| Cashflows | 241,516 | (2,033) |
| Acquisitions | - | 78,040 |
| Accrued interest and other non-cash changes | 9,085 | (2,112) |
| | | |
| Net debt as at 31 December 2019 | **660,081** | **131,091** |

*Compliance with loan covenants*

Under the terms of the major European borrowing facilities, the Group is required to comply with the following financial covenants:

- Debt service coverage ratio (annualised EBITDA/annualised debt service costs) must exceed 175%
- Loan to value ratio (outstanding loan balance/market value of secured properties) must not exceed 65%

The Group is also subject to similar covenants in respect of the Dublin and Italian loan facilities.

The Group has complied with these covenants throughout the reporting period to 31 December 2019.

Following the outbreak of COVID-19, the Group has noted breaches to loan covenants. See Note 26 for further details.

## 18 SHARE CAPITAL AND SHARE PREMIUM

| | Number of shares | Value of each share | Share capital | Share premium | Capital surplus |
|---|---|---|---|---|---|
| | | EUR | €'000 | €'000 | €'000 |
| *(Authorised, called up and fully paid)* | | | | | |
| **At 1 January 2018** | **1,665,998** | **0.01** | **17** | **696** | **102,669** |
| Issue of Hurdle Shares | 1,500,000 | 0.01 | 15 | - | - |
| **At 31 December 2018** | **3,165,998** | **0.01** | **32** | **696** | **102,669** |
| Share capital and share premium increase | | | | | |
| Capital contributions | | | - | - | 135,432 |
| **At 31 December 2019** | **3,165,998** | **0.01** | **32** | **696** | **238,101** |

**Share capital**
The issued share capital of the Company is set at €31,660 divided into:
i. 1,665,998 ordinary shares of a nominal value of one Euro cent (€0.01) each; and
ii. 1,500,000 hurdle shares of a nominal value of one Euro cent (€0.01) each.

**Issue of Hurdle Shares**
On 7 September 2018, 1,500,000 hurdle shares were issued to managers of the Company. The Hurdle Shares are subject to achievement of a specified Investor Return.

**Voting rights and entitlement to distributions**
Distributions on securities are ranked as follows:
- prior to achievement of the specified Investor Return, all distributions shall be distributed to the holders of Ordinary Shares pro rata to their holding of Ordinary Shares;
- upon achievement of the Investor Return and other mandatory criteria (as set forth in the Shareholder agreement), the Return of Proceeds shall be distributed to holders of Hurdle Shares pro rata to their holding of Hurdle Shares (subject to a Maximum Distribution Cap of 4%);
- any surplus proceeds available shall be distributed to the holders of Ordinary Shares, pro-rata to their holding of Ordinary Shares.

**Capital surplus**
On 11 October 2019, capital contributions of €135,432k were received to assist in the funding of the acquisition of Freehand from the Sydell Group. See Note 21 for further details.

## 19 LEGAL RESERVE

In accordance with Luxembourg company law, the Company is required to appropriate a minimum of 5% of its net profit after tax for the year to a legal reserve until the balance of such reserve is equal to 10% of the issued share capital. The legal reserve is not available for distribution to shareholders, except upon the dissolution of the company.

## 20 LEASES

This note provides information for leases where the Group is a lessee.

*Amounts recognised in the balance sheet*

The balance sheet shows the following amounts relating to leases:

| Right-of-use assets | 31-Dec-19 €'000 | 01-Jan-19 €'000 |
|---|---|---|
| Buildings | 356,339 | 103,304 |
| Equipment | - | - |
| Vehicles | - | - |
| Others | - | - |
| | **356,339** | **103,304** |

| Lease liabilities | 31-Dec-19 €'000 | 01-Jan-19 €'000 |
|---|---|---|
| Current | 6,867 | 4,483 |
| Non-current | 124,224 | 52,713 |
| | **131,091** | **57,196** |

Additions to the right-of-use assets during the 2019 financial year were €236,821k.

**Stockholm lease**
The Group leases the property that it operates in Stockholm under an operating lease agreement with a term of 20 years from September 2015. Rent is comprised of a fixed and variable element, with variable rent based on future turnover. Turnover rent has been excluded from the measurement of the lease liability. The lease is expected to be renewed for a further 10 years with an estimated termination date of 30 years.

**Berlin lease**
The Group leases the property that it operates in Berlin under a finance lease agreement with a term of 23 years from November 2001. Rent is comprised of a fixed and variable element, with variable rent based on future turnover. Management do not expect any extensions to the current term of the lease.

*Amounts recognised in the statement of profit or loss*

The statement of profit or loss shows the following amounts relating to leases:

| Depreciation charge of right-of-use assets | Year ended 31-Dec-19 €'000 | Year ended 31-Dec-18 €'000 |
|---|---|---|
| Buildings | 3,288 | 2,494 |
| Equipment | - | - |
| Vehicles | - | - |
| Others | - | - |
| **Total depreciation charge** | **3,288** | **2,494** |

| Interest expense | Year ended 31-Dec-19 €'000 | Year ended 31-Dec-18 €'000 |
|---|---|---|
| Interest expense (included in finance cost) | **2,141** | **1,032** |

The total cash outflow for leases in 2019 was €10,665k.

## 21 ACQUISITION OF BUSINESS

### 21.1. Summary of acquisition

On 11 October 2019 George Midco, a wholly owned subsidiary of Queensgate Generator S.a.r.l., acquired controlling interests in a group structure (Freehand) which operates 4 Hotels across the USA. The acquisition has significantly increased the Group's presence in North America.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

| | USD 000 | EUR 000 |
|---|---|---|
| Purchase consideration (refer to (b) below): | | |
| Cash consideration paid | 197,298 | 175,892 |
| Repayment of existing loans | 160,701 | 143,266 |
| **Total purchase consideration** | **357,999** | **319,158** |

There is no contingent consideration associated with the acquisition of the business.

*Fair value of assets and liabilities recognised on acquisition*

The assets and liabilities recognised as a result of the acquisition are as follows:

| | **Fair value EUR 000** |
|---|---|
| Current assets | |
| Prepaid expenses and other current assets | 1,828 |
| Accounts receivable | 1,140 |
| Cash | 79 |
| Intangible Asset - Advanced bookings | 262 |
| Intangible Asset - Brand name | 17,830 |
| Land | 33,348 |
| Building improvements | 254,859 |
| Furniture, fixtures and equipment | 4,654 |
| Financing lease right-of-use asset | 94,325 |
| Other Assets | 5 |
| Accounts payable | (1,761) |
| Accrued expenses | (3,177) |
| Advance Deposits | (399) |
| Other liabilities | (2,733) |
| Financing lease liability, including interest | (78,039) |
| Other non-current liabilities | (14) |
| NCI Liability - HTC Investor | (10,861) |
| Net identifiable assets acquired | 311,345 |
| Goodwill | 7,813 |
| **Net assets acquired** | **319,158** |

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes. There were no business combinations in the year ending 31 December 2018.

*Accounting policy choice for non-controlling interests*

Upon acquisition, George Midco acquired control of the underlying Hotel Tenant Companies. However only 1% of the Tenant Companies equity was acquired, with Investor Members holding the remaining 99%.

The Group recognises non-controlling interest to Investor Members of the acquired Hotel tenant entities as liabilities, on the basis there is a contractual obligation for the Company to deliver profit and loss and tax credit to Investor Members.

The fair value of the Non-controlling interest liability has been determined using the income approach via a discounted cashflow model. The valuations have been prepared by an external expert over the period of each respective Historic Tax Credit (HTC) agreement. The liability is estimated as the discounted after-tax cash flows payable to the Investor Members within the respective HTC structures, utilising a discount rate of 9.0%.

Significant unobservable inputs contained in the value-in-use calculations include the future cash distributions payable, the assumed life of the HTC structure and the discount rates applied.

*Revenue and profit contribution*

The acquired business contributed revenues of €22.4m and a net loss of -€5.6m to the Group for the period from 11 October to 31 December 2019. If the acquisition had occurred on 1 January 2019, *consolidated pro-forma revenue and net profit contribution for the year ended 31 December 2019 would* have been €92.8m and -€26.1m respectively.
These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

**21.2. Purchase consideration – cash outflow**

| | EUR 000 |
|---|---|
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Cash consideration paid | 175,892 |
| Repayment of existing loans | 143,266 |
| Less: Balances acquired | |
| Cash | (79) |
| Bank overdraft | - |
| **Net outflow of cash – investing activities** | **319,079** |

*Acquisition-related costs*

Acquisition-related costs of EUR 11.34m are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

***21.3. Transactions recognised separately from the business combination***

*Settlement of pre-existing relationship*

Management did not identify any transaction that settled the pre-existing relationship between George Midco and the Seller.

*Remuneration for future services of employees or former owners of the acquiree*

Management did not identify any transaction that remunerate employees for future services

*Reimbursement for paying the acquirer's acquisition-related costs*

As disclosed above - see acquisition-related costs

*Acquisition of Broken Shaker IP*

The Company acquired the Broken Shaker trademark from Guest Lab pursuant to the IP Transfer *Agreement for EUR 2.64m.*

## 22 SUBSIDIARIES

The Group included the following subsidiaries as at 31 December 2019:

| Entity name | Share structure | Country of incorporation | Ownership interest | Controlling interest | Nature of business |
|---|---|---|---|---|---|
| G 3120 Collins Parent Limited[3] | Ordinary | England and Wales | 100% | 100% | Investment holding company |
| G 3120 Collins Holdings Inc | Ordinary | USA | 100% | 100% | Investment holding company |
| Queensgate Elbert S.à r.l. | Ordinary | Luxembourg | 100% | 100% | Investment holding company |
| Queensgate Generator Holding Limited[3] | Ordinary | England and Wales | 100% | 100% | Investment holding company |
| Queensgate Generator Properties Limited[3] | Ordinary | England and Wales | 100% | 100% | Investment holding company |
| Queensgate Fusion MidCo 1 S.à r.l. | Ordinary | Luxembourg | 100% | 100% | Investment holding company |
| Queensgate Fusion MidCo 2 S.à r.l. | Ordinary | Luxembourg | 100% | 100% | Investment holding company |
| Queensgate Project XVI S.à r.l. | Ordinary | Luxembourg | 100% | 100% | Investment holding company |
| Generator US Opco Parent Limited[3] | Ordinary | England and Wales | 100% | 100% | Investment holding company |
| Generator US Holdco Opco Inc | Ordinary | USA | 100% | 100% | Investment holding company |
| Generator DC Holdco Propco Inc | Ordinary | USA | 100% | 100% | Investment holding company |
| Generator DC Propco LLC | Ordinary | USA | 100% | 100% | Investment holding company |
| G 3120 Collins Holdings LLC | Ordinary | USA | 100% | 100% | Investment holding company |
| Generator Hostels Limited[3] | Ordinary | England and Wales | 100% | 100% | Management company |
| Generator Hostels Inc | Ordinary | USA | 100% | 100% | Management company |
| Generator DC Opco LLC | Ordinary | USA | 100% | 100% | Development of hostel in Washington |
| G 3120 Collins Operating Company LLC | Ordinary | USA | 100% | 100% | Development of hostel in Miami |
| Generator BCN1 SL | Ordinary | Spain | 100% | 100% | Operating hostel in Barcelona |
| Generator Berlin Mitte GmbH | Ordinary | Germany | 100% | 100% | Operating hostel in Berlin |
| Generator Hostel Berlin GmbH | Ordinary | Germany | 100% | 100% | Operating hostel in Berlin |
| Generator Hostel Copenhagen A/S | Ordinary | Denmark | 100% | 100% | Operating hostel in Copenhagen |
| Generator Hostel Hamburg GmbH | Ordinary | Germany | 100% | 100% | Operating hostel in Hamburg |
| Generator Hostel London Ltd | Ordinary | England and Wales | 100% | 100% | Operating hostel in London |
| G 640 Main Parent Limited | Ordinary | England and Wales | 100% | 100% | Dormant [1] |
| Generator Hostel Paris SAS | Ordinary | France | 100% | 100% | Operating hostel in Paris |
| Generator Hostel Rome S.r.l. | Ordinary | Italy | 100% | 100% | Operating hostel in Rome |
| Generator Hostel Venice S.r.l. | Ordinary | Italy | 100% | 100% | Operating hostel in Venice |
| Generator Hostels Sweden AB | Ordinary | Sweden | 100% | 100% | Operating hostel in Stockholm |
| Generator Immobilienbesitz Hamburg GmbH | Ordinary | Germany | 100% | 100% | Operating hostel in Hamburg |
| Generator Properties Dublin Ltd | Ordinary | Ireland | 100% | 100% | Operating hostel in Dublin |
| Ghostell S.r.l. | Ordinary | Italy | 100% | 100% | Operating hostel in Venice |
| Horizon Properties B.V. | Ordinary | The Netherlands | 100% | 100% | Operating hostel in Amsterdam |
| SBS Madrid, S.A. | Ordinary | Spain | 100% | 100% | Operating hostel in Madrid |
| George Super Topco LLC | Ordinary | USA | 100% | 100% | Investment holding company |
| George Topco LLC | Ordinary | USA | 100% | 100% | Investment holding company |
| George Holdco LLC | Ordinary | USA | 100% | 100% | Investment holding company |
| George Midco LLC | Ordinary | USA | 100% | 100% | Investment holding company |
| George SPV 1 LLC | Ordinary | USA | 100% | 100% | Investment holding company |

| Entity name | Share structure | Country of incorporation | Ownership interest | Controlling interest | Nature of business |
|---|---|---|---|---|---|
| Sydell Hostel Marks LLC | Ordinary | USA | 100% | 100% | Investment holding company |
| Sydell Hostel Manager LLC | Ordinary | USA | 100% | 100% | Investment holding company |
| *The Freehand Hotel Company LLC* | *Ordinary* | USA | *100%* | *100%* | *Operating company* |
| YSHRE LA LLC | Ordinary | USA | 100% | 100% | Operating hostel in Los Angeles |
| Sydell Indian Creek LLC | Ordinary | USA | 100% | 100% | Operating hostel in Miami |
| Sydell Freehand Chicago LLC | Ordinary | USA | 100% | 100% | Operating hostel in Chicago |
| 23 Lexington Associates LLC | Ordinary | USA | 100% | 100% | Operating hostel in New York |
| YSHRE LA *Tenant LLC*[2] | *Ordinary* | USA | 1% | *100%* | *Operating hostel in Los Angeles* |
| 23 Lexington Tenant LLC[2] | Ordinary | USA | 1% | 100% | Operating hostel in New York |
| Captain Haddock LLC | Ordinary | USA | 100% | 100% | Operating company |
| Happy Place Grammercy LLC | Ordinary | USA | 100% | 100% | Operating company |
| Sydell Freehand Chicago Tenant LLC[2] | Ordinary | USA | 1% | 100% | Operating hostel in Chicago |

1 Dormant entity thus excluded from consolidation

2 The Tenant is part of a certified historic structure that is eligible for investment tax credits for qualifying rehabilitation expenditures.
The Group, through George SPV1 LLC ("SPV"), has 100% membership interest in the Hotel Companies acquired and a 1% of membership interest in the Tenant Companies (the remaining 99% corresponds to the tax Investor Members). The purpose of this structure is to permit the allocation of federal historic tax credits from the Hotel Companies to the Tenant Companies. Each of the Tenant Companies is subject to a put option requiring the SPV and thus the Group to acquire such remaining 99% interest. Management concluded that the put option on the 99% equity interest/non-controlling interest is a financial liability that should be initially measured at the present value of the redemption amount. Such financial liability meets the definition of a derivative and should be measured subsequently at fair value through profit and loss. Management further concluded that since the put option essentially just allows the holder to put the interest back to the Company at or below fair market value based on the exercise price formula, the feature was determined to have no value to be recognized.

In assessing whether the Group has control over the acquired entities, Management have assessed the following 3 criteria in line with guidance from IFRS 10 (Power, Returns and the ability to use its Power) for all Tenant and Hotel companies acquired.

**Tenant companies**

i. Power over the investee - the Group has power to direct the relevant activities of the Tenant Companies through its indirect interest in the Hotel Companies.

ii. Exposure, or rights, to variable returns from its involvement with the investee - the Group is exposed to the variability of the Tenant Companies returns from its indirect interest in the above entities.

iii. The ability to use its power over the investee to affect the amount of the investor's returns - the Group controls the Tenant Companies and therefore should consolidate the Tenant Companies.

**Hotel companies**

i. *Power over the investee - the Group directs the relevant activities of the Hotel Companies through its indirect investment in Midco.*

ii. Exposure, or rights, to variable returns from its involvement with the investee - the Group is exposed to the variability of the Hotel Companies' returns through Midco's 100% interest in the entities.

iii. The ability to use its power over the investee to affect the amount of the investor's returns - the Group controls the Hotel Companies and therefore should consolidate the Hotel Companies.

3 *The following investment holding companies, registered in England and Wales, are exempt from the requirements of the* Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006:

- G 3120 Collins Parent Limited
- Queensgate Generator Holding Limited
- Queensgate Generator Properties Limited
- Generator US Opco Parent Limited
- Generator Hostels Limited

**Queensgate Generator S.à r.l**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

The Group included the following subsidiaries as at 31 December 2018:

| Entity name | Share structure | Country of incorporation | Ownership interest and percentage of control | Nature of business |
|---|---|---|---|---|
| G 3120 Collins Parent Limited[3] | Ordinary | England and Wales | 100% | Investment holding company |
| G 3120 Collins Holdings Inc | Ordinary | USA | 100% | Investment holding company |
| Queensgate Elbert S.à r.l. | Ordinary | Luxembourg | 100% | Investment holding company |
| Queensgate Generator Holding Limited[3] | Ordinary | England and Wales | 100% | Investment holding company |
| Queensgate Generator Properties Limited[3] | Ordinary | England and Wales | 100% | Investment holding company |
| Queensgate Fusion MidCo 1 S.à r.l. | Ordinary | Luxembourg | 100% | Investment holding company |
| Queensgate Fusion MidCo 2 S.à r.l. | Ordinary | Luxembourg | 100% | Investment holding company |
| Queensgate Project XVI S.à r.l. | Ordinary | Luxembourg | 100% | Investment holding company |
| Generator US Opco Parent Limited[3] | Ordinary | England and Wales | 100% | Investment holding company |
| Generator US Holdco Opco Inc | Ordinary | USA | 100% | Investment holding company |
| Generator DC Holdco Propco Inc | Ordinary | USA | 100% | Investment holding company |
| Generator DC Propco LLC | Ordinary | USA | 100% | Investment holding company |
| G 3120 Collins Holdings LLC | Ordinary | USA | 100% | Investment holding company |
| Generator Hostels Limited[3] | Ordinary | England and Wales | 100% | Management company |
| Generator Hostels Inc | Ordinary | USA | 100% | Management company |
| Generator DC Opco LLC | Ordinary | USA | 100% | Development of hostel in Washington |
| G 3120 Collins Operating Company LLC | Ordinary | USA | 100% | Development of hostel in Miami |
| Generator BCN1 SL | Ordinary | Spain | 100% | Operating hostel in Barcelona |
| Generator Berlin Mitte GmbH | Ordinary | Germany | 100% | Operating hostel in Berlin |
| Generator Hostel Berlin GmbH | Ordinary | Germany | 100% | Operating hostel in Berlin |
| Generator Hostel Copenhagen A/S | Ordinary | Denmark | 100% | Operating hostel in Copenhagen |
| Generator Hostel Hamburg GmbH | Ordinary | Germany | 100% | Operating hostel in Hamburg |
| Generator Hostel London Ltd | Ordinary | England and Wales | 100% | Operating hostel in London |
| G 640 Main Parent Limited | Ordinary | England and Wales | 100% | Dormant [1] |
| Generator Hostel Paris SAS | Ordinary | France | 100% | Operating hostel in Paris |
| Generator Hostel Rome S.r.l. | Ordinary | Italy | 100% | Operating hostel in Rome |
| Generator Hostel Venice S.r.l. | Ordinary | Italy | 100% | Operating hostel in Venice |
| Generator Hostels Sweden AB | Ordinary | Sweden | 100% | Operating hostel in Stockholm |
| Generator Immobilienbesitz Hamburg GmbH | Ordinary | Germany | 100% | Operating hostel in Hamburg |
| Generator Properties Dublin Ltd | Ordinary | Ireland | 100% | Operating hostel in Dublin |
| Ghostell S.r.l. | Ordinary | Italy | 100% | Operating hostel in Venice |
| Horizon Properties B.V. | Ordinary | The Netherlands | 100% | Operating hostel in Amsterdam |
| SBS Madrid, S.A. | Ordinary | Spain | 100% | Operating hostel in Madrid |

## 23 FINANCIAL ASSETS AND LIABILITIES

The following are the remaining contractual maturities at the end of the reporting period of financial receivables:

| | 31 December 2019 €'000 | Within 1 year €'000 | Within 1-2 years €'000 | Within 2-5 years €'000 | Over 5 years €'000 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Trade and other receivables | 13,739 | 13,739 | - | - | - |
| Cash and cash equivalents | 48,884 | 48,884 | - | - | - |
| Investments and other financial assets at amortised cost | 81 | 81 | - | - | - |
| | 62,704 | 62,704 | - | - | - |

The following are the remaining contractual maturities at the end of the reporting period of financial payables:

| | 31 December 2019 €'000 | Within 1 year €'000 | Within 1-2 years €'000 | Within 2-5 years €'000 | Over 5 years €'000 |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Trade payables | 4,560 | 4,560 | - | - | - |
| Other payables | 4,852 | 4,852 | - | - | - |
| Accruals and deferred income | 18,193 | 18,193 | - | - | - |
| Bank and other loans | 45,163 | 45,163 | - | - | - |
| NCI liability | 1,520 | 1,520 | | | |
| **Non-current liabilities** | | | | | |
| Bank and other loans | 746,009 | - | 461,986 | 40,264 | 243,759 |
| NCI liability | 9,341 | | 631 | 878 | 7,832 |
| | **829,638** | **74,288** | **462,617** | **41,142** | **251,591** |

### Financial risk management

The Group's financial instruments comprise cash and liquid resources and various items such as; Investments in mortgage bonds, trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The principal financial risks faced by the Group are foreign currency, liquidity, interest rate and credit risks. The policies and strategies for managing these risks are summarised as follows:

### 23.1. Foreign currency risk

Transactional foreign currency exposures arise from both the provision and acquisition of services in the UK, Sweden, USA and Denmark. As the Danish Krone is pegged to the Euro, the Group is primarily exposed to foreign exchange in relation to movements in Sterling pounds, Swedish Krone and American dollars.

### 23.2. Liquidity risk

The Group's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Group. Operating subsidiaries are financed by a combination of retained profits, bank borrowings and intergroup loans. Management's objective is to meet its liabilities as they fall due whilst maintaining sufficient headroom to enable the Board to react to unexpected changes in market conditions. Detailed analysis of the debt facilities taken out and available to the Group are disclosed in Note 17. Management monitors its cash flows through the preparation of forecasts on a monthly basis.

**23.3. Interest rate risk**

The Group is exposed to interest rate risk in relation to the sterling and Euro variable rate financial assets and liabilities. The Group consider the use of derivative contracts to maintain a mix of fixed and floating rate borrowings to mitigate this risk. The structure and maturity of these derivatives correspond to the underlying borrowings and are accounted for as fair value adjustments in the income statement under finance costs and income.

At 31 December 2019, there were cash and cash equivalents totalling €48,884k (2018: €19,965k). The Group held the majority of its cash and cash equivalents in corporate current accounts. These accounts offer a competitive interest rate with the advantage of quick access to the funds.

**23.4. Credit risk**

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The credit quality of the Group customers is assessed internally, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by such customers is regularly monitored by line management.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

*Capital policy*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that optimises the cost of capital.

The Group manages its capital with regards to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis.

The Group considers its capital to include share capital, legal reserve, translation reserve, retained deficit and net debt. Net debt includes short and long-term borrowings net of cash and cash equivalents. The Group has not made any changes to its capital management during the year.

### 23.5. Brexit

The Board has considered and continues to monitor the effects on the business of the exit of the United Kingdom from the European Union. The Board has considered the potential risks to the Group as potentially negative effects on the UK economy, the movement of people between the UK and Europe and foreign currency movement. Legal and debt contracts have been reviewed and will remain unchanged and in force. The Group's exposure to the UK economy is relatively small, comprising 8.0% of revenue in 2019, and the Board considers the business risk to be small.

## 24 RELATED PARTIES

The Group receives or provides from / to related parties financial support in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial and operational decisions.

The Group has a controlling relationship with all of its subsidiaries (refer to Note 22). Related parties also comprise the shareholders of the Company, companies which are under common control with the Company, key management personnel of the Company and their close family members and companies that are controlled or significantly influenced by shareholders. Terms on transactions with related parties are established at the time of the transaction.

*a. Key management remuneration*

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, and include members of the Board of Directors. No Managers of the Company received any emoluments during the year (2018: nil) (refer to Note 11).

*b. Transactions with entities under common control*

The Group had the following transactions and balances with entities under common control.

*(i) Balances with the parent (Queensgate Fusion HoldCo1 S.à r.l)*

At the statement of financial position date, the long-term loans included €149.5 million payable to its ultimate parents as follows:

- €118.8 million loan payable to Queensgate Fusion HoldCo 1 S.à r.l.
- €30.7 million loan payable to Queensgate Fusion HoldCo 2 S.à r.l.

Both loans expire on 30 April 2027 and are subject to the fixed interest of 0.1% p.a. and the variable interest (profit participation). All principal and interest are repayable in full at maturity.

*(ii) Transactions with the parent and entities under common control*

For the year ended 31 December, transactions with parent company are as follows:

| | 31 December 2019 €'000 | 31 December 2018 €'000 |
|---|---|---|
| **Transactions with parent company** | | |
| Finance costs | (7,486) | (5,419) |
| Investment funds received | 104,911 | 18,167 |
| Borrowings received | - | - |
| Borrowings repaid | - | (397) |

## 25 ULTIMATE PARENT COMPANY

The Company is a subsidiary of Queensgate Fusion HoldCo1 S.à r.l, a Limited Liability company in Luxembourg and an associate of Queensgate Fusion HoldCo2 S.à r.l., a Limited Liability company in Luxembourg. The ultimate majority shareholder is Queensgate Fusion HoldCo1 S.à r.l.

## 26 SUBSEQUENT EVENTS

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the Group after the year end, as it has on hostels and hotels around the world. There were breaches to loan covenants for the main Group facility (for the quarter ending September 2020) and Italian facility (for the quarters ending June and September 2020).

Post year-end financing has been received from shareholders and local Government's (in the form of grants, payroll assistance and loan funding). Additional debt funding has been secured through new lenders. The Group is fortunate to benefit from the strong support of its lenders and its shareholders and the Group's main European and US facilities have been extended and covenant waivers obtained where necessary until Q2 2022 (at the earliest).

Further details surrounding financing, the future outlook and going concern of the Group are documented at Note 2.16.

There are no events or matters that required to be disclosed in the financial statements.

## 27 COMMITMENTS

***Capital commitments***

There are no major capital expenditure commitments as at 31 December 2019. (2018: €Nil).