Frasers Hospitality UK Holdings Limited

Annual report and consolidated financial statements

Registered number 09625807

30 September 2020

Contents

Strategic report

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

Review of the business
The Group is engaged in the management and operation of hotels and restaurants under the brands of Malmaison and Hotel du Vin ("MHDV").

The financial results for the year ended 30 September 2020 are contained in the Consolidated Profit and Loss Statement on page 8 of the accounts.

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

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

While the economic outlook remains unclear, the directors consider that the business has an inherent strength from its balanced portfolio, spread across the major cities and towns in the UK, with a balance of accommodation and food & beverage revenues. The directors are, however, mindful of the impact that changes in consumer confidence can have on the business and continue to focus on delivering operating efficiency and maintaining discipline over controllable costs to ensure that the business remains healthy, and provides a solid platform from which it will deliver growth.

During the financial year, the Group has added a further hotel to the portfolio, following the opening of the Malmaison Edinburgh City in December 2019. In June 2021, Malmaison York opened and two further Malmaison properties, Bournemouth and Manchester, remain under development and are due to open in the next 2 years.

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

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

Health & Safety Risk - Serious injury as a result of Company negligence
The Group engages a third-party health and safety audit company which is independent of the group to carry out regular health and safety site audits to ensure adherence with all current policies and procedures.

Financial Risk - Impact of economic factors that affect our customers or our costs
Mitigation controls to financial risks because of the broader general economic factors and their impact are managed through our ability to be flexible with our customer base and react swiftly to change in our cost base.

Brexit Risk

Following the UK's full transition out of the EU at the beginning of 2021, the Group considers that while its future performance may be affected by Brexit, it will be through its manifestation in the principal risks already mitigated by the controls it has in place

Strategic report *(continued)*

Section 172 (1) statement

The Directors of the Company (the "Board" or "Directors") have a duty to promote the success of the Company and the Group for the benefit of its members as a whole, having regard to the interests of our customers, our people, our relationship with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of business conduct.

The Directors consider that they have acted in the way they consider, in good faith, would be the most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the UK Companies Act 2006) in the decisions taken during the year ended 30 September 2020.

Employees

People are at the heart of our business. The Company is committed to being a responsible business. The Company is an equal opportunities employer and is committed to maintaining a working culture which enables all employees to make their own distinctive contribution as detailed more fully in the Directors' report.

Customers

Our aim is to be the preferred choice for our customers, employees and business partners. To achieve that goal, we strive to deliver outstanding customer experiences in order to build long-term and sustainable relationships.

Suppliers

We value our suppliers and have multi-year contracts with our key suppliers.

Communities

Our long-standing reputation for quality in our infrastructure and services has attracted travellers from all corners of the world, and our guests expect no less than the Malmaison Hotel du Vin quality. The Company's approach is to use this position of strength to create positive change for the people and communities with which we interact.

It is critical that the Directors effectively identify, evaluate, manage and mitigate risks and uncertainties the Company faces. As detailed further below, these form part of the Company's Business Plan with controls designed to mitigate them.

Sustainability statement

The Directors are committed to not only deliver financial performance but also understand our role in society in order to make a positive contribution as delivering a sustainable impact for our planet, people and communities has never been more important. This is fully supported by various environmental and sustainability initiatives promoted by Frasers Property Limited ("FPL"), the Company's parent.

As a responsible business and asset manager, the Board is committed to assessing the resilience and climate-adaptiveness of our properties, the responsible consumption or recycling of resources and the health, well-being and connectedness of people and communities.

In FY20, the key initiative promoted by FPL has been to target for net-zero carbon corporation by 2050, and a number of initiatives have been undertaken within the Malmaison Hotel du Vin business to work towards that goal.

Strategic report *(continued)*

Key performance indicators

Key Performance Indicators ("KPI's") are set by the Board at both Group and Company level. They are set across both financial and non-financial areas of the business to assist in giving a balanced understanding of performance. At Company level the indicators include targets for sales and profit growth along with the maintenance and improvement of Brand Standards. Certain targets are commercially sensitive but are set as part of the budgeting process against a realistic view of market conditions in the coming period and in the context of continued brand growth and development.

Key financial indicators for the Group include the monitoring of the management of profitability and working capital:

Measure	**2020**	2019	**Basis of calculation**
Revenue (12 months)	**£87.4m**	£146.6m	
Gross Profit %	**51%**	53%	Gross Profit / Group Revenue * 100
EBITDAR (12 months)	**£1.8m**	£27.5m	Earnings before interest, depreciation, amortisation, rent expense and non-trading items
Debtor Days	**1.0 days**	4.7 days	Trade Debtors / Group Revenue * 365 days
Creditor Days	**20.5 days**	20.8 days	Trade Creditors / (Cost of Sales + Administrative Expenses) * 365 days

On behalf of the board

G Bakker
Director

08 December 2021

Directors' report

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

Results and dividends

The consolidated profit and loss account for the period is set out on page 8.

No interim dividend was paid during the financial year *(2019: £nil)*. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period were as follows:

GFJ Bakker	
TC Koh	*(resigned 1 July 2021)*
BK Chan	*(appointed 1 July 2021)*

Employee involvement

The Group is an equal opportunities employer and is committed to maintaining a working culture which enables all employees to make their own distinctive contribution. Employment policies are designed to be fair and equitable, and to be consistent with the abilities of the employees and the needs of the Group.

Disabled persons

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of any member of staff becoming disabled whilst employed by the Group, effort is made to enable their employment within the Group to continue. It is Group policy that training, career development and promotion of disabled persons should, as far as possible, be similar to that of other employees. Where the needs to the Group change, or an individual's capability becomes different from those required by the Group, Senior Management would endeavour to amend the working practices to accommodate all existing employees. Where this is not possible, separate arrangements are made to ensure that employees who are departing the Group are fairly treated, both financially and in providing assistant to them in financing alternative employment.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that they company's auditors are aware of that information.

Auditor

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

On behalf of the board

GFJ Bakker
Director

3rd Floor,
95 Cromwell Road,
London,
United Kingdom,
SW7 4DL

08 December 2021

Statement of directors' responsibilities in respect of the Strategic Report, Directors' report and the financial statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial period.

Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG

Independent auditor's report to the members of Frasers Hospitality UK Holdings Limited

Opinion

We have audited the financial statements of Frasers Hospitality UK Holdings Limited ("the company") for the year ended 30 September 2020 which comprise the consolidated statement of profit and loss and other comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes, including the accounting policies in note 1, the company balance sheet, the company statement of changes in equity and the related notes.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

Strategic report and directors' report

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

KPMG

Independent auditor's report to the members of Frasers Hospitality UK Holdings Limited *(continued)*

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Mark Flanagan *(Senior Statutory Auditor)*

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

Dated: 08 December 2021

Consolidated statement of profit and loss and other comprehensive income
for the year ended 30 September 2020

	Note	2020 £000	2019 £000
Revenue	2	**87,364**	146,605
Other income	3	**10,372**	-
Cost of sales		**(53,350)**	(68,319)
Gross profit		**44,386**	78,286
Administrative expenses		**(110,644)**	(127,107)
Operating profit excluding non-trading items		**(14,697)**	6,268
Non-recurring items	6	**(51,561)**	(55,089)
Operating loss		**(66,258)**	(48,821)
Financial income	7	**13**	1
Financial expenses	7	**(16,499)**	(10,294)
Net financing expense		**(16,486)**	(10,293)
Loss before tax		**(82,744)**	(59,114)
Taxation	8	**(235)**	10,283
Loss for the year		**(82,979)**	(48,831)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		**2,021**	457
Other comprehensive income for the year, net of income tax		**2,021**	457
Total comprehensive expense for the year		**(80,958)**	(48,374)

All activity derives from continuing operations.

The attached notes form an integral part of the financial statements.

Consolidated balance sheet
at 30 September 2020

	Note	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	9	**432,014**	304,354
Intangible assets	10	**305**	358
Deferred tax assets	12	**-**	235
		432,319	304,947
Current assets			
Inventories	13	**1,708**	1,640
Trade and other receivables	14	**19,977**	24,636
Cash and cash equivalents	15	**7,288**	53,660
		28,973	79,936
Total assets		**461,292**	384,883
Current liabilities			
Other interest-bearing loans and borrowings	16	**239,488**	299,473
Trade and other payables	17	**22,072**	21,523
Other financial liabilities	11	**85**	2,106
Tax payable		**-**	-
		261,645	323,102
Non-current liabilities			
Other interest-bearing loans and borrowings	16	**-**	49,913
Amounts owed to parent undertaking	17	**155,500**	72,500
Other payables	17	**226,260**	5,890
Deferred tax liabilities	12	**-**	-
		381,760	128,303
Total liabilities		**643,405**	451,405
Net liabilities		**(182,113)**	(66,522)
Equity attributable to equity holders of the parent			
Share capital	19	**67,000**	67,000
Cash flow hedging reserve	19	**(85)**	(2,106)
Retained earnings		**(249,028)**	(131,416)
Total deficit		**(182,113)**	(66,522)

These financial statements were approved by the board of directors on 08 December 2021 and were signed on its behalf by:

GFJ Bakker
Director

Company registered number: 09625807

The attached notes form an integral part of the financial statements.

Consolidated statement of changes in equity

	Share capital £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 October 2018	67,000	(2,563)	(82,585)	(18,148)
Total comprehensive income for the year				
Loss	-	-	(48,831)	(48,831)
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	457	-	457
Total comprehensive income for the year	-	457	(48,831)	(48,374)
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 30 September 2019	**67,000**	**(2,106)**	**(131,416)**	**(66,522)**

	Share Capital £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 October 2019 as previously stated	67,000	(2,106)	(131,416)	(66,522)
Recognition of right-of-use asset and lease liability on initial application of IFRS16 (Note 1)	-	-	(34,633)	(34,633)
Balance at 1 October 2019 as restated	67,000	(2,106)	(166,049)	(101,155)
Total comprehensive income for the year				
Loss	-	-	(82,979)	(82,979)
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	2,021	-	2,021
Total comprehensive income for the year	-	2,021	(82,979)	(80,958)
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 30 September 2020	**67,000**	**(85)**	**(249,028)**	**(182,113)**

Consolidated cash flow statement
for the year ended 30 September 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Loss for the year		**(82,979)**	(48,831)
Adjustments for:			
Depreciation, amortisation and impairment		**68,197**	64,477
Financial income		**(13)**	(1)
Financial expense		**16,499**	10,294
Adjustment under IFRS 9 – Estimated Credit Loss		**(26)**	(14)
Tax income		**235**	(10,283)
		1,913	15,642
Decrease/(Increase) in trade and other receivables		**6,713**	(1,655)
(Increase) in inventories		**(68)**	(158)
Decrease in trade and other payables		**(5,652)**	(4,366)
		2,906	9,463
Tax received		**-**	1,618
Net cash from operating activities		**2,906**	11,081
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	**(5,330)**	(6,307)
Disposal of property, plant and equipment	9	**1,025**	-
Net cash from investing activities		**(4,305)**	(6,307)
Cash flows from financing activities			
Proceeds from parent undertaking		**84,000**	50,000
Interest paid		**(7,193)**	(9,490)
Interest received		**13**	1
Lease payments		**(11,293)**	-
Repayment of borrowings		**(110,500)**	-
Net cash from financing activities		**(44,973)**	40,511
Net decrease in cash and cash equivalents		**(46,372)**	45,285
Cash and cash equivalents at 1 October		**53,660**	8,375
Cash and cash equivalents at 30 September		**7,288**	53,660

Notes
(forming part of the financial statements)

1 Accounting policies

Frasers Hospitality UK Holdings Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 09625807 and the registered address is 3rd Floor, 95 Cromwell Road, London, United Kingdom, SW7 4DL.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 34 to 45.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

This is the first year the Group has adopted IFRS 16 Leases (effective date 1 January 2019). The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 October 2019. Accordingly, the comparative information presented for 2019 is not restated. The Group elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application of 1 October 2019. Accordingly, existing lease contracts that were still effective on 1 October 2019 continue to be accounted for as lease contracts under IFRS 16. IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model.

As a lessee, on transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rates applicable to the leases as at 1 October 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

As a lessor, IFRS 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

The impact on transition is shown in below:

	At 1 October 2019 **£000**
Right-of-use assets included in investment properties	169,092
Lease liabilities	(203,725)
Retained earnings	**(34,633)**

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

1.2 Going concern

Notwithstanding net liabilities of £182,113,000 as at 30 September 2020 and a loss for the year then ended of £82,979,000, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

The Covid-19 outbreak has had a significant impact on the business and is expected to continue to do so for the forecast period. Following the issuance of UK government guidance, the majority of properties across the UK Frasers group (including all Malmaison and Hotel du Vin properties) were closed for periods during the financial year and during the period since the balance sheet date. However, at the date of the approval of the financial statements, all UK Frasers properties are open and trading. The directors of the Company have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. These updated forecasts include severe but plausible downsides related to the Covid-19 outbreak, including a significant period of no revenue due to continued property closures and a slow return to previous experienced levels of trading.

The Company's parent undertaking is Frasers Property Limited ('FPL'), which is listed on the Singapore Exchange.

Those forecasts are dependent on the company's fellow subsidiaries and some related parties of Frasers Property Limited ("FPL") not seeking repayment of the amounts currently due by the company, which at 30 September 2020 amounted to £232.5m (2019: £145.7m) and FPL providing additional financial support during that period. These fellow companies and related parties are ultimately reliant on the support of FPL. FPL has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts, and the company's fellow subsidiaries and related parties have indicated that they do not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control is lost, the entire accumulated amount in the FCTR, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

1.5 Financial instruments (policy applicable from 1 October 2018)

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

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

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

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

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

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

Cash and cash equivalents

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

(b) Subsequent measurement and gains and losses

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

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

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

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

Financial liabilities and equity

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

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

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

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iii) Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

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

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

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

Fair value hedges

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

(iv) Impairment

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

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

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- freehold property 50 years
- leasehold property 50 years or lease term if shorter
- leasehold improvements lease term
- fixtures, fittings and equipment 3 – 10 years

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

1.8 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The useful lives of the favourable/unfavourable leases held on the balance sheet is the length of the lease. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

1.10 Impairment excluding inventories

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Impairment excluding inventories *(continued)*

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

1.12 Revenue

Revenue represents amounts receivable for goods and services net of VAT and trade discounts. It is recognised at the point services are provided to the guest. Deposits received are held on the balance sheet and shown as a current liability. Vouchers issued are held on the balance sheet and shown as a current liability until realised by guests.

1.13 Expenses

Financing income and expenses

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.14 Government Grants

The Group recognises government grants related to income in the period that the expense is incurred.

The Group has adopted to present the income related to government grants as 'other income' in the consolidated statement of profit and loss and other comprehensive income.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.16 Leases

Policy applicable from 1 October 2019

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

As a lessee

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

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

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

Short-term leases and leases of low-value assets

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 Leases *(continued)*

As a lessor

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

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

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

Policy applicable before 1 October 2019

As a lessee

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

As a lessor

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

2 Revenue

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

3 Other income

	2020	2019
	£000	£000
Government Grant	**10,372**	-

Government grant income received is from the Government's Coronavirus Job Retention Scheme. This allowed the Group to reclaim an element of wages and salaries, social security and pension costs for employees who were furloughed after March 2020.

4 Expenses and auditors' remuneration

Auditor's remuneration:

	2020	2019
	£000	£000
Audit of these financial statements	**1**	1
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**135**	132
Audit related assurance services	**-**	17
Taxation compliance services	**47**	47

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2020	2019
Directors	**2**	2
Hotel administration	**2,193**	2,601
	2,195	2,603

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	**36,948**	49,416
Social security costs	**2,530**	3,393
Contributions to defined contribution plans	**1,222**	1,139
	40,700	53,948

None of the directors received any emoluments in respect of their services as directors of the Company during the year ended 30 September 2020 (2019: £nil). The remuneration of the directors is paid by other entities outside of this Group. The directors act in a group capacity only and do not allocate specific time to any Company. The value of any time spent on services provided to the Company is not considered material

The compensation of key management personnel is as follows:

	2020	2019
	£000	£000
Key management remuneration including social security costs	**636**	556
Company contributions to money purchase pension schemes	**24**	28
	660	584

6 Non-recurring items - expensed to administrative expenses

	2020	2019
	£000	£000
Impairment of property, plant and equipment	**51,561**	17,900
Impairment of intangible assets	**-**	37,189
Total non-recurring items	**51,561**	55,089

As a result of an impairment review during the year, £51.6m (2019: £17.9m) and £nil (2019: £37.2m) of impairments were expensed to the statement of comprehensive income in relation to property, plant and equipment and intangible assets respectively. See notes 9 and 10 for further details.

Notes *(continued)*

7 Finance income and expense

Recognised in profit or loss

	2020 £000	2019 £000
Finance income		
Interest income on financial assets	**13**	1
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	**15,896**	9,451
Amortisation of loan arrangement fees	**603**	843
Total finance expense	**16,499**	10,294

8 Taxation

Recognised in the income statement

	2020 £000	2019 £000
Current tax expense		
Current year	**-**	(1,618)
Current tax expense	**-**	(1,618)
Deferred tax expense		
Current year	**235**	(8,665)
Change in tax rate	**-**	-
Deferred tax expense	**235**	(8,665)
Total tax (credit)/expense	**235**	(10,283)

Reconciliation of effective tax rate

	2020 £000	2019 £000
Loss for the year	**(82,979)**	(48,831)
Total tax (income)/expense	**235**	(10,283)
Loss excluding taxation	**(82,744)**	(59,114)
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	**(15,721)**	(11,232)
Group relief	**901**	-
Non-deductible expenses net tax allowance	**11,175**	(1,022)
Movement in deferred tax not recognised	**2,694**	1,613
Increase in tax rate on deferred tax balances	**16**	358
Fixed asset differences	**1,519**	-
Prior period adjustment	**(358)**	-
Chargeable gain	**9**	-
Total tax expense/(credit)	**235**	(10,283)

Notes *(continued)*

8 Taxation *(continued)*

In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020, as previously announced. Accordingly, deferred tax balances have been calculated at 19% at 30 September 2020.

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

9 Property, plant and equipment

	ROU asset £000	Freehold property £000	Leasehold property £000	Fixtures, fittings and equipment £000	Total £000
Cost					
Balance at 1 October 2019	-	290,949	23,738	42,893	357,580
Recognition of right-of-use asset on initial application of IFRS16 (Note 1)	220,597	-	-	-	220,597
Adjusted cost at 1 October 2019	220,597	290,949	23,738	42,893	578,177
Additions	22,259	806	-	4,524	27,589
Disposals	-	(965)	-	-	(965)
Balance at 30 September 2020	242,856	290,790	23,738	47,417	604,801
Depreciation and impairment					
Balance at 1 October 2019	-	33,198	2,650	17,378	53,226
Recognition of right-of-use asset on initial application of IFRS16 (Note 1)	51,505	-	-	-	51,505
Adjusted cost at 1 October 2019	51,505	33,198	2,650	17,378	104,731
Depreciation expense	6,780	3,907	120	5,776	16,583
Depreciation on disposal	-	(88)	-	-	(88)
Impairment losses	4,108	41,863	5,590	-	51,561
Balance at 30 September 2020	62,393	78,880	8,360	23,154	172,787
Net book value					
At 30 September 2020	**180,463**	**211,910**	**15,378**	**24,263**	**432,014**
At 30 September 2019	-	257,751	21,088	25,515	304,354
Adjusted NBV at 1 October 2019	169,092	257,751	21,088	25,515	473,446

Management performed the annual impairment review and identified an impairment of £47.5m (2019: £17.9m) against freehold and leasehold property and £4.1m (2019: £nil) against right of use assets.

Management performed the annual impairment review of the property, plant and equipment and right of use assets held by the Group as at the year ended 30 September 2020.

As a result of this review, Management identified a total impairment of £51.6m (2019: £17.9m), with the carrying value of the property, plant and equipment and right of use assets reducing by £47.5m and £4.1m respectively.

Notes *(continued)*

9 Property, plant and equipment *(continued)*

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

Cash flows beyond this initial 5 year period were estimated using terminal growth rates of 2% (2019: 2%) which are within management's expectation of the long-term average growth rates of the industry and cities in which the Group operates.

The projected pre-tax cash flows were discounted at the rate of 8% (2019: 8%).

As is inherent in any such model, changes in the key assumptions would lead to different outcomes and, in this case, different impairment levels. In terms of the discount rate assumption, a 1% increase in the discount rate applied to the cash flows would result in the impairment charge increasing to £75.7m. In terms of the projected cash flows themselves, if the model was rerun taking into account a significantly more pessimistic scenario, whereby FY22 result was predicted to be lower by 20% than the model and FY23 also adjusted down with a 5% reduction, with recovery to FY19 levels therefore pushed out to FY24, then the impairment would increase to £106m.

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

10 Intangible assets

	Goodwill £000	Favourable leases £000	Brand £000	Software £000	Total £000
Cost					
Balance at 1 October 2019	29,334	21,789	75,403	464	126,990
Additions	-	-	-	-	-
Balance at 30 September 2020	29,334	21,789	75,403	464	126,990
Amortisation and impairment					
Balance at 1 October 2019	29,334	21,789	75,403	106	126,632
Amortisation expense	-	-	-	53	53
Impairment losses	-	-	-	-	-
Balance at 30 September 2020	29,334	21,789	75,403	159	126,685
Net book value					
At 30 September 2020	**-**	**-**	**-**	**305**	**305**
At 30 September 2019	-	-	-	358	358

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

Notes *(continued)*

10 Intangible assets *(continued)*

	Goodwill		Indefinite life intangible assets	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
MHDV Holdings (UK) Limited	-	-	-	-

The recoverable amount of MHDV Holdings UK Limited has been calculated with reference to its value in use.

The group recorded the goodwill upon acquisition of MHDV Holdings (UK) Limited. As at 30 September 2020, the carrying value of goodwill is £nil *(2019: £nil)*.

11 Other financial liabilities

	2020	2019
	£000	£000
Current		
Financial liabilities designated at fair value through profit or loss	**85**	2,106
	85	2,106

12 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	(Assets)/ Liabilities	
	2020	2019
	£000	£000
Intangible assets	-	-
Lease assets	-	(235)
Net deferred tax assets	-	(235)

Movement in deferred tax during the year

	1 October 2019	Recognised in income	30 September 2020
	£000	£000	**£000**
Intangible and favourable lease assets	-	-	-
Unfavourable lease liabilities	(235)	235	-
	(235)	235	-

Notes *(continued)*

12 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the prior year

	1 October 2018 £000	Recognised in income £000	30 September 2019 £000
Intangible and favourable lease assets	9,467	(9,467)	-
Unfavourable lease liabilities	(1,037)	802	(235)
	8,430	(8,665)	(235)

The deferred tax liability was created on acquisition of the MHDV group due to the recognition of fair value adjustments on the acquired intangible assets and the favourable/unfavourable leases.

13 Inventories

	2020 £000	2019 £000
Finished goods	**1,708**	1,640

Included within inventories is £nil expected to be recovered in more than 12 months.

Changes in finished goods recognised as cost of sales in the year amounted to £10.1m *(2019: £16.9m)*.

14 Trade and other receivables

	2020 £000	2019 £000
Trade receivables	**238**	1,894
Other receivables	**1,281**	2,416
Other receivables due from related parties (see note 23)	**17,474**	14,420
Prepayments	**984**	5,906
	19,977	24,636

15 Cash and cash equivalents/ bank overdrafts

	2020 £000	2019 £000
Cash and cash equivalents per balance sheet	**7,288**	53,660
Cash and cash equivalents per cash flow statement	**7,288**	53,660

Notes *(continued)*

16 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 20.

	Current liabilities 2020 £000	Current liabilities 2019 £000	**Non-current liabilities 2020 £000**	Non-current liabilities 2019 £000
Unsecured bank loans	**239,500**	300,000	-	50,000
Loan arrangement fees	**(12)**	(527)	-	(87)
	239,488	299,473	-	49,913

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Year of maturity**	**Face value 2020 £000**	**Carrying amount 2020 £000**	Face value 2019 £000	Carrying amount 2019 £000
Bank loan	£	1m LIBOR +1.3%	2020	-	-	300,000	299,473
Overdraft	£	NA	NA	189,500	189,500	-	-
Bank loan	£	1m LIBOR +1.25%	2020	50,000	49,988	50,000	49,913
				239,500	**239,488**	350,000	349,386

17 Trade and other payables

	2020 £000	2019 £000
Current		
Trade payables due to related parties (note 23)	**363**	1,117
Other trade payables	**4,796**	8,000
Non-trade payables and accrued expenses	**13,456**	12,406
Lease liability	**3,457**	-
	22,072	21,523
Non-current		
Lease liability	**226,260**	-
Other payables	-	5,890
Other payables due to related parties (note 23)	**155,500**	72,500
	381,760	78,390

18 Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £1.2m *(2019: £1.1m)*.

Notes *(continued)*

19 Capital and reserves

Share capital

	Ordinary shares Number 2020	Number 2019
On issue at 1 October 2019 and 30 September 2020	**67,000,000**	67,000,000

	2020 £000	2019 £000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**67,000**	67,000
	67,000	67,000
Shares classified in shareholders' funds	**67,000**	67,000
	67,000	67,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Dividends

The following dividends were recognised during the period:

	2020 £000	2019 £000
£nil *(2019: £nil)* per qualifying ordinary share	-	-
	-	-

After the balance sheet date dividends of £nil per qualifying ordinary share were proposed by the directors.

20 Financial instruments

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest risk.

(a) Fair values of financial instruments

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes *(continued)*

20 Financial instruments *(continued)*

The following table shows the carrying amounts and fair values of assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for short term trade and other receivables, cash and cash equivalents, trade and other payables and short-term bank borrowings as their carrying amounts are reasonable approximation of fair values

	Carrying amount 2020 £000	**Fair value 2020 £000**	**Level 1 2020 £000**	**Level 2 2020 £000**	**Level 3 2020 £000**
Financial Liabilities					
Derivative financial liabilities:					
Interest rate swap	**85**	**85**	**-**	**85**	**-**
Financial Liabilities measured at amortised cost					
Bank borrowings (non-current)	**-**	**n/a**	**n/a**	**n/a**	**n/a**
Bank borrowings (current)	**239,488**	**n/a**	**n/a**	**n/a**	**n/a**

	Carrying amount 2019 £000	Fair value 2019 £000	Level 1 2019 £000	Level 2 2019 £000	Level 3 2019 £000
Financial Liabilities					
Derivative financial liabilities:					
Interest rate swap	2,106	2,106	-	2,106	-
Financial Liabilities measured at amortised cost					
Bank borrowings (non-current)	49,913	n/a	n/a	n/a	n/a
Bank borrowings (current)	299,473	n/a	n/a	n/a	n/a

At 30 September 2020 the group did not have any liabilities classified at level 1 or 3 of the fair value hierarchy

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

As at the reporting date, the Group's and the Company's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations it represented by the carrying amount of each class of financial assets recognised in the balance sheets.

As at 30 September 2020, 100% of the Company's receivables are due from subsidiaries. There is no significant credit risk as these companies are of good credit standing.

The Group has guidelines governing the monitoring of credit risk. Debts are monitored regularly to minimise risk of non-payment. Cash is placed with reputable financial institutions.

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. It is the Group's and the Company's policy to enter into financial instruments with a diversity of credit worthy counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Group and Company will encounter difficulty in meeting financial obligations due to a shortage of funds. The Group adopts a prudent approach to managing its liquidity risk. The Group always maintains sufficient cash and has available funding through a diverse source of uncommitted credit facilitates from various banks through its parent company.

Notes *(continued)*

20 Financial instruments *(continued)*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

		2020				
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	**5years and over £000**
Non-derivative financial liabilities						
Unsecured bank facility	**239,488**	**239,500**	**239,500**	**-**	**-**	**-**
Trade and other payables*	**22,072**	**22,072**	**22,072**			
Derivative financial liabilities						
Interest rate swaps used for hedging	**85**	**85**	**85**	**-**	**-**	**-**
		261,657	**261,657**	**-**	**-**	**-**

		2019				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities						
Unsecured bank facility	349,386	350,000	300,000	50,000	-	-
Trade and other payables*	21,523	21,523	21,523			
Derivative financial liabilities						
Interest rate swaps used for hedging	2,106	2,106	2,106	-	-	-
		373,629	323,629	50,000	-	-

* Excludes derivatives (shown separately).

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group and the Company's financial instruments will fluctuate because of changes in the market interest rates. The Group and the Company's exposure to interest rate risk is in respect of debt obligations and deposits with related companies and financial institutions.

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2020 £000	2019 £000
Fixed rate instruments		
Financial liabilities	**239,573**	351,492

A change of 100 basis points in interest rates at the balance sheet date would have decreased (2019: increased/(decreased)) equity by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Notes *(continued)*

20 Financial instruments *(continued)*

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps.

	2020	2019
	£000	£000
Equity		
Decrease/ Increase	**(68)**	2,510
Decrease	**(69)**	(2,551)

A 100 basis point increase would normally have a positive impact on equity and a 100 basis point decrease would have a negative one. However for year ended 30 September 2020, the MTM value after the 100bp increase is a smaller negative figure. Hence, it would take more than 100 basis points to get the MTM back to a positive value in this case.

21 Commitments

Capital commitments

During the year ended 30 September 2020, the Group entered into contracts to purchase property, plant and equipment worth £570,000 that were outstanding at the end of the year (2019: £nil).

22 Contingencies

The Group does not have any contingent liabilities.

23 Related parties

Included within other receivables are the following balances owed by related parties. Frasers Hospitality SPC1 Limited is the immediate parent company while the remaining entities are all under the control of the ultimate parent company. These balances are due on demand and not subject to any interest.

	2020	2019
	£000	£000
Frasers Hospitality SPC1 Limited	**17,474**	14,420
Frasers Property Investments (Europe) SARL	-	-
Fairdace Limited	-	-
Frasers Property Corporate Services Pte Ltd	-	-
	17,474	14,420

Included within trade and other payables are the following balances owed to related parties. Frasers Hospitality SPC1 Limited is the immediate parent company while the remaining entities are all under the control of the ultimate parent company. These balances are due on demand and not subject to any interest.

	2020	2019
	£000	£000
Frasers Property Corporate Services Pte Ltd	**2**	718
Frasers Hospitality Pte Ltd	**326**	309
Frasers Hospitality UK Limited	**35**	90
	363	1,117

Notes *(continued)*

23 Related parties *(continued)*

Included within non-current liabilities are the following balances owed to related parties. Frasers Hospitality SPC1 Limited is the immediate parent company. The balance is payable subject to a notice period of thirteen months and is not subject to any interest.

	2020 £000	2019 £000
Frasers Hospitality SPC1 Limited	**155,500**	72,500

External borrowings are subject to a guarantee from Fraser Property Limited, a subsidiary of the ultimate parent company.

24 Ultimate parent company and parent company of larger group

The ultimate parent company is TCC Assets Limited, a company incorporated in Thailand.

25 Accounting estimates and judgements

The preparation of the Group's consolidated financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities at the balance sheet date. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities and which are not readily apparent from other sources. Estimates and underlying assumptions are revised on an ongoing basis.

(a) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Tangible and Intangible Assets –Brands and Property, Plant and Equipment (carrying value £432,014,000)

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and includes future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 10.

(b) Critical Judgements made in Applying Accounting Policies

In the process of applying the Group's accounting policies, management feels that no significant judgements, apart from those involving estimations, have any significant effects on the amounts recognised in the consolidated financial statements.

Company balance sheet
at 30 September 2020

	Note	2020 £000	2019 (Restated) £000	2018 (Restated) £000
Fixed assets				
Investments	29	-	-	57,000
Debtors	31	86,500	63,000	-
		86,500	63,000	57,000
Current assets				
Debtors	31	229,092	235,301	301,146
Cash and cash equivalents		-	50,007	5
		229,092	285,308	301,151
Current liabilities				
Cash and cash equivalents		75	-	-
Interest bearing loans	32	239,488	299,473	-
Trade and other payables	32	133	3,016	4,653
Other financial liabilities	30	85	2,106	2,563
		239,781	304,595	7,216
Net current (liabilities)/assets		(10,689)	(19,287)	293,935
Total assets less current liabilities		75,811	43,713	350,935
Non- current liabilities				
Interest bearing loans	33	-	49,913	348,605
Trade and other payables	33	155,500	72,500	21,500
		(155,500)	(122,413)	(370,105)
Net liabilities		(79,689)	(78,700)	(19,170)
Capital and reserves				
Called up share capital	35	67,000	67,000	67,000
Cash flow hedging reserve		(85)	(2,106)	(2,563)
Profit and loss account		(146,604)	(143,594)	(83,607)
Shareholders' deficit		(79,689)	(78,700)	(19,170)

The prior year comparative has been restated to present the effects of a prior year adjustment (see note 29).

These financial statements were approved by the board of directors on 08 December 2021 and were signed on its behalf by:

G Bakker
Director

Company registered number: 09625807

The attached notes form an integral part of the financial statements.

Company statement of changes in equity

	Called up share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2018 as previously stated	67,000	(2,563)	(4,518)	59,919
Restatement (see note 29)	-	-	(79,089)	(79,089)
Balance at 1 October 2018 (Restated – see note 29)	67,000	(2,563)	(83,607)	(19,170)
Total comprehensive income for the year				
Loss (Restated – see note 29)	-	-	(59,987)	(59,987)
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	457	-	457
Total comprehensive income (Restated – see note 29)	-	457	(59,987)	(59,530)
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 30 September 2019 (Restated - see note 29)	**67,000**	**(2,106)**	**(143,594)**	**(78,700)**

	Called up share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2019 as previously stated	67,000	(2,106)	(7,505)	57,389
Restatement (see note 29)	-	-	(136,089)	(136,089)
Balance at 1 October 2019 (Restated – see note 29)	67,000	(2,106)	(143,594)	(78,700)
Total comprehensive income for the year				
Loss	-	-	(3,010)	(3,010)
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	2,021	-	2,021
Total comprehensive income for the year	-	2,021	(3,010)	(989)
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 30 September 2020	**67,000**	**(85)**	**(146,604)**	**(79,689)**

Notes
(forming part of the financial statements)

26 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

26.1 Basis of preparation

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

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

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

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

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

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

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36

26.2 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

26.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

26 Accounting policies *(continued)*

26.4 Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

26.5 Financial instruments (policy applicable from 1 October 2018)

(v) Recognition and initial measurement

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

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

(vi) Classification and subsequent measurement

Financial assets

(c) Classification

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

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

Notes *(continued)*

26 Accounting policies *(continued)*

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

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

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

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

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

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

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

Cash and cash equivalents

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

(d) Subsequent measurement and gains and losses

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

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

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

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

Financial liabilities and equity

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

(c) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(d) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes *(continued)*

26 Accounting policies *(continued)*

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

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

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

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(vii) Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

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

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

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

Fair value hedges

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

Notes *(continued)*

26 Accounting policies *(continued)*

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

(viii) Impairment

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

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

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

26.6 Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

Notes *(continued)*

26 Accounting policies *(continued)*

26.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

27 Remuneration of directors

None of the directors received any emoluments in respect of their services as directors of the Company during the year ended 30 September 2020 (2019: £nil). The remuneration of the directors is paid by other entities outside of this Group. The directors act in a group capacity only and do not allocate specific time to any Company. The value of any time spent on services provided to the Company is not considered material.

28 Dividends

The following dividends were recognised during the period:

	2020	2019
	£000	£000
£nil *(2019: £nil)* per qualifying ordinary share	-	-
	-	-

After the balance sheet date dividends of £nil per qualifying ordinary share were proposed by the directors.

29 Fixed asset investments

	Shares in group undertakings
	£000
Cost	
At 30 September 2019 and 30 September 2020	136,089
Provision for impairment	
At 30 September 2019 (Restated) and 30 September 2020	(136,089)
Net book value	
At 30 September 2019 (Restated) and 30 September 2020	-

The directors have performed an impairment review and it was identified that a provision of £136,089,000 was required to fully impair the investment in subsidiaries. In performing this assessment the directors have reconsidered the position in prior years and have concluded that, due to errors in the methodology for assessing forecast cashflows, impairment charges should have been recorded in the 30 September 2018 financial statements and 30 September 2019 financial statements for amounts of £79,089,000 and £57,000,000 respectively. The directors have therefore restated the comparative investment numbers. The effect of this prior year adjustment is to reduce investments and net assets by £136,089,000 for the year ended 30 September 2019 and to increase the loss for that year by £57,000,000 and to reduce reserves at 1 October 2019 by £79,089,000.

Notes *(continued)*

29 Fixed asset investments *(continued)*

The Group and Company have the following investments in subsidiaries, all of which are owned 100% of the issued share capital, and unless otherwise stated are incorporated in the United Kingdom:

Hotel du Vin Trading Limited
Malmaison and Hotel du Vin Property Holdings Limited
Malmaison Hotel du Vin Brand Services Limited
Malmaison Trading Limited
*MHDV Holdings (UK) Limited
New Light Hotels Limited
Malmaison (Chart Square) Limited
Malmaison Aberdeen Limited
Malmaison Oxford Limited
The Malmaison Hotel (Birmingham) Limited
The Malmaison Hotel (Manchester) Limited
The Malmaison Hotel (Newcastle) Limited
Hotel 123 Limited
Hotel du Vin (Edinburgh) Limited
Hotel du Vin Edinburgh Property Limited
Hotel du Vin Newcastle Limited
Hotel du Vin Newcastle Property Limited
Jay Hotels Limited
Malmaison Aberdeen Property Holdings Limited
Malmaison Aberdeen Property Limited
Malmaison and Hotel du Vin Holdings Limited
Malmaison and Hotel du Vin Limited
Malmaison and Hotel du Vin Property Limited
Malmaison Brand Limited
Malmaison Hotels Limited
Malmaison Limited
Malmaison Resources Limited
MWB Malmaison Brand Limited
MWB Malmaison CLG Limited
Hotel du Vin Limited
Golden Tent Limited *(incorporated in Hong Kong)*
The Waterside Apartments (Princess Dock Management Company) Limited

*Only MHDV Holdings (UK) Limited is held directly, all others are held indirectly. All investments in subsidiaries are registered at 3rd Floor, 95 Cromwell Road, London, SW7 4DL.

30 Other financial liabilities

	2020 £000	2019 £000
Non-current		
Financial liabilities designated at fair value through profit or loss	-	-
Current		
Financial liabilities designated at fair value through profit or loss	85	2,106
	85	2,106

31 Debtors

Amounts falling due within one year:

	2020 £000	2019 £000
Amounts owed by group undertakings (note 23)	229,092	235,300
Other receivables	-	1
	229,092	235,301

Notes *(continued)*

31 Debtors *(continued)*

Amounts falling due after more than one year:

	2020 £000	2019 £000
Amounts owed by group undertakings (note 23)	**86,500**	63,000
	86,500	63,000

32 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Other payables	**133**	440
Amounts owed to group undertakings	**-**	2,576
Bank loans and overdrafts	**239,488**	299,473
	239,621	302,489

33 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Bank loans and overdrafts	**-**	49,913
Amounts owed to group undertakings	**155,500**	72,500
	155,500	122,413

34 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Current liabilities 2020 £000	Current liabilities 2019 £000	Non-current liabilities 2020 £000	Non-current liabilities 2019 £000
Unsecured bank loans	**239,500**	300,000	**-**	50,000
Loan arrangement fees	**(12)**	(527)	**-**	(87)
	239,488	299,473	**-**	49,913

Notes *(continued)*

34 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2020 £000	Carrying amount 2020 £000	Face value 2019 £000	Carrying amount 2019 £000
Bank loan	£	1m LIBOR +1.3%	2020	-	-	300,000	299,473
Overdraft	£	NA	NA	189,500	189,500	-	-
Bank loan	£	1m LIBOR +1.25%	2020	50,000	49,988	50,000	49,913
				239,500	239,488	350,000	349,386

35 Called up share capital

	Ordinary shares 2020 Number	2019 Number
On issue at 1 October and 30 September 2020	67,000,000	67,000,000

	2019 £000	2018 £000
Allotted, called up and fully paid		
Ordinary shares of £1 each	67,000	67,000
	67,000	67,000
Shares classified in shareholders' funds	67,000	67,000
	67,000	67,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

36 Accounting estimates and judgements

The preparation of the Company's financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities at the balance sheet date. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities and which are not readily apparent from other sources. Estimates and underlying assumptions are revised on an ongoing basis.

Notes *(continued)*

36 Accounting estimates and judgements *(continued)*

(a) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of investment in subsidiaries – The directors consider the recoverability of the investments held by the Company with reference to the current and forecast performance of the investments and the assets held by each investment (see note 29).

(b) Critical Judgements made in Applying Accounting Policies

In the process of applying the Group's accounting policies, management feels that no significant judgements, apart from those involving estimations, have any significant effects on the amounts recognised in the consolidated financial statements.