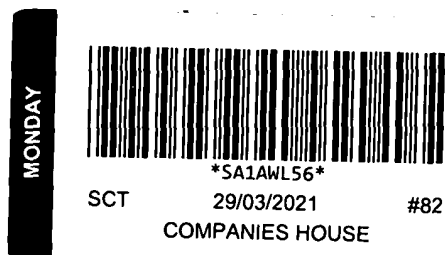


Gleneagles Hotels Limited

Annual Report

**For the period ended
31 March 2020**

Registered number: SC097000



COMPANIES HOUSE

29 MAR 2021

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Strategic Report

The directors have pleasure in submitting their strategic report, directors' report and the audited financial statements for the period ended 31 March 2020.

Principal activities

The company was principally engaged during the period in operating The Gleneagles Hotel, Auchterarder, Perthshire.

Accounting period

The company has changed its year end and this set of accounts cover the 15 month period to 31 March 2020. The comparative figures cover the 12 months to 31 December 2018.

Business review and future developments

The business performed well during the period with turnover in line with expectations. Operating profit has decreased compared against the previous year end with the extended 15-month period including three less profitable months twice.

Our multi-million pound refurbishment programme is continuing with the opening of our new meeting and event spaces the Billiard Room and Parlour, re-opening of the flagship Strathearn restaurant, upgrading the facilities at The Club, development of the Retail Arcade and further refurbishment of the hotel's room stock. These renovations are set to further enhance Gleneagles' position as a 'Glorious Playground' at the heart of the Scottish countryside.

The COVID-19 pandemic led to reduced demand at the start of 2020, particularly from group bookings, which had an adverse impact on operating profit during the period. The pandemic led to the hotel closing on 23rd March 2020 and not re-opening until 15th July 2020. The hotel closed again on 13th November 2021.

The Directors believe that the following indicators represent the company's performance during the period:

Turnover	15 months to 31 March 2020: £66.4m (Year ended 31 December 2018: £55.3m)
Operating Profit /(Loss)	15 months to 31 March 2020: (£0.6m) (Year ended 31 December 2018: £3.5m profit)
Rooms Available	232

Strategic Report (continued)

Principal risks and uncertainties

The directors consider the main risk facing the company's future trading as the potential occurrence of shocks to the European and American economies that could lead to reduced occupancy from corporate and leisure clients.

Coronavirus

The Covid-19 pandemic has had an immense impact on the company and on the wider industry. The directors have considered the implications in line with the FRC's 3 lenses being operations, sales and liquidity. In terms of operations and sales, the pandemic has so far led to two extended closure periods, following the government lockdown orders. The company availed of the Coronavirus Job Retention scheme and the vast majority of staff have been furloughed during the closure periods. The safety of employees and guests are at the forefront of the response to the pandemic, to this end the company has employed a Covid Compliance Officer to work with the existing Risk & Environment Manager to ensure the hotel is developing good quality procedures and processes to mitigate the risk of transmission and is complying with said processes. In 2020 the hotel achieved both the AA Covid-19 Confidence Accreditation and the Global Biorisk Advisory Council (GBAC) STAR Accreditation.

During the summer of 2020 the hotel was able to achieve reasonable occupancy levels and operate profitably within the revised Covid-19 guidelines, this gives the directors confidence over the company's outlook for the remainder of 2021, should the hotel be able to open in time to capture the summer peak trading periods.

Given the company's investor support, the continued support of the primary lender and the directors' confidence in agreeing appropriate covenants for the next financial year, the board believe that the company has sufficient financial resources to continue as a going concern and accordingly the financial statements have been prepared on a going concern basis. Further information on the impact to the going concern assessment is disclosed in note 1.2 of the financial statements

Competition

The directors are confident that the quality of the product, the location of the hotel and the level of customer service will be a competitive advantage to maintain and hopefully increase market share.

Legislative risks

Following the UK's exit from the European Union, there is a risk to the company's ability to recruit suitable staff to fill a range of positions across the business. To mitigate this risk to the extent possible, the company has secured a Sponsorship license to aid recruitment from outwith the UK.

Financial risk management

Interest rate risk

At 31 March 2020, the company has drawn down both fixed rate loans from fellow group companies and variable rate bank borrowings. No interest rate hedge is in place.

Liquidity risk

The management team's objectives are to retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due.

Foreign exchange risk

Although the functional currency of the company is Sterling, the company's operating cashflows are transacted in Sterling, Euro and US Dollar. The risk to the company is minimal and hedge accounting is not used.

Financial

The results for the period ended 31 March 2020 are shown on page 10.

Strategic Report (continued)

Section 172 report

Stakeholder engagement is an important area of focus for Gleneagles Hotels Limited. We ensure that we have open communications with our various stakeholder groups. We use information gained through these relationships to make informed judgements when making key decisions.

The directors understand the importance of their section 172 duty to act in good faith to promote the success of the company. When making decisions, the interests of any key relevant stakeholders is considered, including employees, suppliers, customers, shareholders, the community, lenders and the environment. The company is committed to developing business relationships with suppliers and customers.

The Board also takes into consideration the long-term consequences for both the company and its relevant stakeholders when making these decisions by forecasting and considering the impact of these decisions. This ensures that the company conducts its business in a fair way, protecting its reputation and external relationships.

Workforce engagement

The company employed on average 967 people during the period ending 31 March 2020 and actively engages with and develops its people. The company provides regular updates to its employees through a number of internal channels from informal, local, hotel-level communications through to formal, quarterly, group-wide information sessions.

The company conducted a staff wide survey in 2019 to gauge engagement levels and help shape the next steps in further improving the organisational culture and maintaining our position as an employer of choice in the industry.

Diversity and inclusion surveys have been undertaken to better understand how we can make the group more inclusive and progressive. We have also set up a Global Inclusion Council to help us advance the opportunities and interest of our people from all diverse backgrounds. We want our Council to be made up of internal team members, as well as external consultants. Over the long term, we aim to improve representation of underrepresented groups as well as staff retention by fostering a sense of belonging amongst our employees.

Upon joining, all new team members undergo a relevant and comprehensive induction program developed to provide support and guidance for their role. Internal training is provided for all team members to support them in performance of their roles and additional management training is provided as team members take on management duties.

For employees who prefer to raise any concerns confidentially, we have channels whereby any employee can ask a question of the senior leadership team anonymously, which are regularly reviewed and answered.

Shareholder engagement

The Board is committed to ensuring there is continued sufficient and effective communication and engagement between the company and the shareholders through various different means throughout the period. This includes the Annual Report which sets out the company's strategy and performance over the past financial period and plans for future growth. Additionally, KPIs relating to operating hotels as well as the group as a whole are reported on a quarterly basis with commentary to explain key performance details.

Strategic Report (continued)

Supplier engagement

We undertake due diligence on our suppliers, and undertake regular monitoring to ensure suppliers are working in line with our minimum standards. Key suppliers include construction, food & beverage, cleaning, property maintenance & IT/security infrastructure.

To ensure there is two-way communication with suppliers, we regularly engage with them by phone and/or onsite. Contracts are reviewed regularly and a fair competitive process is carried out when agreements expire or are due for renewal.

Community engagement

The company has continued its 'Do More' programme, which allows our employees to engage in charitable projects and activities. Our employees volunteer and fundraise for local charities that impact the local community and we are proud to support Anchor House in Perth.

The company actively engages with local schools and colleges to promote the benefits and opportunities of careers in hospitality. Our team members have delivered masterclass sessions, delivered tours of the estate and acted as judges in competitions.

Customers

As part of our staff training, we emphasise the importance of engaging with customers throughout their experience. We enable our customers to get up to date pricing information and promotions through emails and our website, and we carry out a number of guest satisfaction surveys.

We ensure our offering remains up to date and attractive to customers, with a continuing process of refurbishment and renewal throughout the hotel.

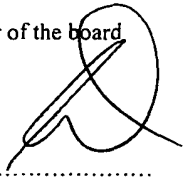
Lender engagement

There is regular communication with the lenders to discuss business performance, the market and any current issues. Additionally, lenders are reported to on a monthly basis with updates on the performance of the hotel.

Environment

The company is committed to reducing its environmental impact. We have already removed plastic straws and water bottles from use and are looking to eliminate single use plastic from all areas of our hotels. A carbon audit is currently being undertaken across the hotel to assess our environmental impact and develop an action plan.

By order of the board



.....
C O'Leary
Director
The Gleneagles Hotel
Auchterarder, Perthshire
PH3 1NF

Date: 24th March 2021

Directors' report

Directors

The directors who held office during the period and to the date of this report were as follows:

D A Kemp
S Pasricha
C O'Leary (appointed 02/07/2019)
D G Caldecott (appointed 02/07/2019, resigned 20/03/2020)

Dividends

Dividends of £4,645,000 were paid during the period (31 December 2018 - £4,000,000).

Strategic report

The company outlines its policies on going concern and financial instruments in the Strategic Report.

Employee involvement

The company's goal is to offer an energising work environment, personal growth and recognition and attractive rewards for the performance of its people and the contribution they make to the company. Its employee policies are designed to support these goals and to do so in a manner that is fair and equitable to all employees. These policies take account of external legislation, internal codes of conduct, as well as the company's values as an organisation.

The company is a multi-cultural community operating in an increasingly diverse business world and is committed to active equality and diversity practices. The company offers people with disability the same opportunities for employment, training and career progression as other employees. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment. It is also committed to attracting and retaining talented people. The company invests in the growth and development of its people, which contributes directly to the performance and results of the business. Where practical, the company encourages flexible ways of working to enable employees to take some control over the balance between work and home life. The company's reward systems recognise the contribution employees make to the success and reflect the value of the role they are performing.

The company is committed to the safety and wellbeing of employees at work. The company is committed to open and continuous dialogue with its employees as a way to inform and engage them in the company's strategy and business goals as well as harnessing the ideas employees will have on improving broad areas of business performance.

Each senior manager is responsible for delivering against these communication and employee engagement goals. The company has an intranet web site from which employees with access to a computer can obtain timely and accurate news and information.

The company believes that its employee relations are satisfactory.

Gleneagles Hotels Limited
Registered company number: SC097000
Period ended 31 March 2020

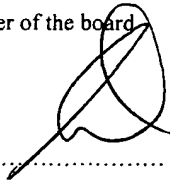
Directors' report (*continued*)

Auditor

BDO LLP have expressed their willingness to continue in office and will be proposed for reappointment in accordance with Section 487 of the Companies Act 2006.

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



C O'Leary
Director

The Gleneagles Hotel
Auchterarder
Perthshire
PH3 1NF

Date: 24th March 2021

Statement of directors' responsibilities in respect of the Strategic Report, the 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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Gleneagles Hotels Limited

Opinion

We have audited the financial statements of Gleneagles Hotels Limited ("the Company") for the 15 months period to 31 March 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements, which indicates the directors' considerations over going concern including the potential impact of COVID-19, and that the Company is reliant on agreeing revised covenants with its bank and meeting these covenants or agreeing further waivers or agreeing a suitable cure. It is also reliant on the intercompany lender not recalling its loan, in the event that agreement is not reached with the bank or the intercompany loan is called in then the Company would need to seek alternative financial arrangements. As stated in note 1.2 to the financial statements these events or conditions, along with the other matters as set out in note 1.2, indicate that material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Mark McCluskey (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Glasgow, United Kingdom
Date: 29 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and Loss Account and Other Comprehensive Income

for the period ended 31 March 2020

	Note	15 months to 31 March 2020 £000	Year ended 31 December 2018 £000
Turnover	2	66,388	55,342
Operating costs	3	(67,024)	(51,844)
		<hr/>	<hr/>
Operating profit		(636)	3,498
Loss on disposal of fixed assets		(1,771)	(1,398)
Interest receivable and similar income		242	10
Interest paid		(3,072)	(2,055)
		<hr/>	<hr/>
Profit before taxation		(5,237)	55
Tax on profit	8	130	(789)
		<hr/>	<hr/>
Loss for the period		(5,107)	(734)
		<hr/>	<hr/>

All results arise from continuing operations.

The company has no other comprehensive income other than the profit for the period as set out above.

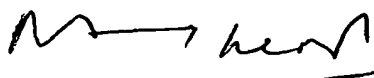
The accounting policies and other notes on pages 13 to 25 form part of the financial statements.

Balance Sheet
at 31 March 2020

	Note	31 March 2020 £'000	31 December 2018 £'000
Fixed assets			
Tangible assets	9	99,191	94,051
Current assets			
Stocks	10	3,252	2,206
Debtors	11	21,412	3,299
Cash at bank and in hand		460	4,718
		25,124	10,223
Creditors: amounts falling due within one year	12	(20,035)	(14,986)
Net current assets/(liabilities)		5,089	(4,763)
Total assets less current liabilities		104,280	89,288
Creditors: amounts falling due after more than one year	13	(100,035)	(75,663)
Provisions for liabilities			
Deferred tax	15	(977)	(605)
Net assets		3,268	13,020
Capital and reserves			
Called up share capital	17	5,000	5,000
Profit and loss account		(1,732)	8,020
Shareholders' funds		3,268	13,020

The accounting policies and other notes on pages 13 to 25 form part of the financial statements.

These financial statements were approved and authorised for issue by the board of directors on 24th March 2021 and were signed on its behalf by:



.....
D A Kemp
Director

Company registered number: SC097000

Statement of Changes in Equity

	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 31 December 2017	5,000	-	12,754	17,754
Total comprehensive loss for the year	-	-	(734)	(734)
Dividend paid – Total distribution to owners	-	-	(4,000)	(4,000)
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Balance at 31 December 2018	5,000	-	8,020	13,020
Total comprehensive loss for the period	-	-	(5,107)	(5,107)
Dividend paid – Total distribution to owners	-	-	(4,645)	(4,645)
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Balance at 31 March 2020	5,000	-	(1,732)	3,268
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Notes

(forming part of the financial statements)

1 Accounting policies

Gleneagles Hotels Limited (the "Company") is a company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC097000 and the registered address is The Gleneagles Hotel, Auchterarder, Perthshire PH3 1NF.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in December 2017 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate UK parent undertaking, GH Holdings 1 Limited includes the Company in its consolidated financial statements. The consolidated financial statements of GH Holdings 1 Limited are available to the public. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of GH Holdings 1 Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The directors have prepared the financial statements for the period ended 31 March 2020 on a going concern basis. The measures implemented by the Scottish and UK Governments in response to the Covid-19 pandemic are such that the hotel remains closed and has an estimated re-opening date of mid-May 2021. The company has utilised the Coronavirus Job Retention scheme, has received a CLBILS loan of £5.0m to assist liquidity, availed itself of other support mechanisms and put in place cost cutting measures. The company received funding of £3.9m from its parent entity after the year end. It is difficult for the company to make reliable forecasts in the short-term and the directors recognise that there are uncertainties over which they have no control.

The directors have therefore modelled a range of scenarios, from full closure throughout 2021 to reopening with a strong summer season with only limited Covid-19 restrictions in place. These show that the cash flows generated by the company will be sufficient to allow it to operate for a period of at least one year from the date of signing without additional funding being required.

The company is financed via a term loan from a bank, an amount of inter-company funding and the CLBILS loan mentioned above. At the time of this report, the company has strong liquidity to cope with the more pessimistic scenarios discussed above. The inter-company lender has confirmed that repayment will not be demanded within 12 months via a letter of non-recall and the bank loan is not due for repayment until 2024 however does have covenants in place. 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.

The company's primary lender has agreed to waive covenant reporting through until the end of March 2021 and amend future obligations under these covenants in advance of June 2021, when economic conditions are likely to be less volatile. The directors are confident that such amendments will proceed as anticipated but have purposefully not been agreed until the landscape becomes clearer.

While the directors have every expectation that covenant obligations within the primary lenders facility for the financial year starting April 2021 will be agreed in a way that will enable them to be met, there is an inherent uncertainty within this which is beyond the control of the Board. Notwithstanding the availability of financial resources at the company's disposal, in the event that bank covenant breaches occurred and further waivers could not be obtained, or a suitable cure agreed then the company would need to seek alternative financial arrangements. As a result, a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. Given the support of the company's parent entity noted above, the continued support of the primary lender and the directors' confidence in agreeing appropriate covenants for the next financial year, the board believe that the company has sufficient financial resources to continue as a going concern and accordingly the financial statements have been prepared on a going concern basis. The financial statements do not therefore include any adjustments that would result if the company were unable to continue as a going concern.

1.3 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates.

All exchange gains and losses are taken to the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Depreciation is charged when an asset is brought in to use. Land is not depreciated. Estimated useful lives are as follows:

Building - core	100 years
Building - surfaces	25 years
Equestrian Centre	36 years
Plant and machinery	4 to 12 years
Fixtures and fittings	4 to 7 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last financial reporting date in the pattern in which the company expects to consume an asset's future economic benefits.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value.

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Notes (continued)

1 Accounting policies (continued)

1.8 Turnover

Turnover is recognised when the significant risks and rewards of the goods and services provided are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Turnover represents the total invoice value, excluding value added tax, of sales made during the period.

Turnover for the Company comprises the following streams:

- Sale of goods - turnover from retail sales and the sale of food and beverages is recognised at the point of sale.
- Rendering of services - turnover from room sales and other guest services is recognised when rooms are occupied and as services are provided.

1.9 Expenses

Operating leases

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.

Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.10 Pensions

Defined contribution pension plan

The company operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

Contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in other creditors as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

1.11 Taxation

Tax on the profit or loss for the period 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 period, 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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against other future taxable profits or the reversal of deferred tax liabilities.

Notes (continued)

2 Turnover

The turnover and profit on ordinary activities before taxation are attributable to one class of business, that of hotels, all of which is carried out in the United Kingdom.

3 Expenses and auditor's remuneration

Included in operating profit are the following

	15 months to 31 March 2020 £'000	Year ended 31 December 2018 £'000
Raw materials and consumables	9,801	8,482
Advertising, marketing and promotion costs	2,677	2,396
Other external charges (a)	533	433
Staff costs (note 4)	26,297	19,515
Depreciation and other amounts written off fixed assets (b)	10,554	6,305
Other operating charges	17,162	14,713
	<hr/> 67,024	<hr/> 51,844

(a) Other external charges include: operating lease rentals for plant and machinery of £416,000 (31 December 2018 - £325,000) other lease rentals of £65,000 (31 December 2018 - £52,000); loss in respect of foreign exchange £13,000 (31 December 2018 - £3,000).

(b) Included above is a loss on disposal of £1,771,000.

The company received £185,000 (2018 - £nil) in relation to government support for furloughed staff members during the year.

Auditor's remuneration

	15 months to 31 March 2020 £'000	Year ended 31 December 2018 £'000
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements	30	24

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, GH Holdings I Limited.

Notes (continued)

4 Staff costs

The aggregate payroll costs of these persons were as follows:

	15 months to 31 March 2020 £'000	Year ended 31 December 2018 £'000
Wages and salaries	23,825	17,681
Social security costs	1,753	1,288
Contributions to defined contribution plans	719	546
	<hr/>	<hr/>
	26,297	19,515
	<hr/>	<hr/>

The average number of employees employed by the company, including directors, during the period, analysed by category was as follows:

	15 months to 31 March 2020 Number	Year ended 31 December 2018 Number
Full time	661	719
Part time	306	296
	<hr/>	<hr/>
	967	1,015
	<hr/>	<hr/>

5 Interest receivable and similar income

	15 months to 31 March 2020 £'000	Year ended 31 December 2018 £'000
Bank interest receivable	2	10
Interest on amounts due from fellow group undertakings	240	-
	<hr/>	<hr/>
	242	10
	<hr/>	<hr/>

Notes (continued)

6 Directors' remuneration

	15 months to 31 March 2020 £'000	Year ended 31 December 2018 £'000
Directors' remuneration	449	658
Company contributions to defined contributions scheme	24	11
	<hr/>	<hr/>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £322,000 (31 December 2018 - £442,000), and company pension contributions of £nil (31 December 2018 - £11,000) were made to a defined contribution scheme on his behalf.

	15 months to 31 March 2020 Number	Year ended 31 December 2018 £'000
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	1	1
	<hr/>	<hr/>

7 Interest payable

	15 months to 31 March 2020 £'000	Year ended 31 December 2018 £'000
Interest on bank loan	2,645	1,739
Interest on amounts owed to fellow group undertakings	427	316
	<hr/>	<hr/>
	3,072	2,055
	<hr/>	<hr/>

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account	15 months to 31 March 2020 £'000	Year ended 31 December 2018 £'000
<i>Current tax</i>		
Current tax on income for the period	(192)	308
Adjustments in respect of prior periods	(310)	(51)
	<hr/>	<hr/>
Total current tax	(502)	257
<i>Deferred tax</i> (see note 15)		
Origination and reversal of timing differences	472	515
Adjustments in respect of prior periods	(100)	17
	<hr/>	<hr/>
Total deferred tax	372	552
	<hr/>	<hr/>
Total tax	(130)	789
	<hr/>	<hr/>

All tax recognised above relates to UK corporation tax.

Reconciliation of effective tax rate	15 months to 31 March 2020 £'000	Year ended 31 December 2018 £'000
Loss for the period	(5,107)	(734)
Total tax expense	(130)	789
	<hr/>	<hr/>
Profit excluding taxation	(5,237)	55
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (31 December 2018 – 19%)	(995)	11
Accelerated capital allowances and other fixed asset timing differences	1,026	872
Adjust opening deferred tax to correct rate	59	(60)
Deferred tax not recognised	92	-
Group relief surrendered	192	-
Receipt for group relief	(192)	-
Non-deductible expenses	6	5
Additional allowances available under Land Remediation Relief	-	(5)
Losses carried back	92	-
Prior year adjustments	(410)	(34)
	<hr/>	<hr/>
Total tax expense included in profit or loss	(130)	789
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures & fittings £'000	Under construction £'000	Total £'000
Cost					
Balance at 1 January 2019	107,569	5,871	40,519	838	154,797
Additions	8,092	177	4,391	3,099	15,759
Transfers	322	-	497	(819)	-
Disposals	(3,942)	(2)	(4,394)	(19)	(8,357)
Balance at 31 March 2020	112,041	6,046	41,013	3,099	162,199
Depreciation and impairment					
Balance at 1 January 2019	25,264	5,659	29,823	-	60,746
Depreciation charge for the period	4,941	108	3,734	-	8,783
Disposals	(2,383)	(1)	(4,137)	-	(6,521)
Balance at 31 March 2020	27,822	5,766	29,420	-	63,008
Net book value					
At 31 December 2018	82,305	212	10,696	838	94,051
At 31 March 2020	84,219	280	11,593	3,099	99,191

Included within the net book value of Freehold land and buildings is £9,921,242 (31 December 2018: £9,921,242) in respect of land on which no depreciation is charged.

10 Stocks

	31 March 2020 £'000	31 December 2018 £'000
Raw materials and consumables	844	484
Finished goods	2,408	1,722
	3,252	2,206

Raw materials and consumables and finished goods recognised as cost of sales in the period amounted to £9,900,000 (31 December 2018 - £8,842,000).

Notes (continued)

11 Debtors

	31 March 2020 £'000	31 December 2018 £'000
Trade debtors	19	2,021
Other prepayments and accrued income	1,242	1,148
Corporation tax receivable	570	130
VAT	834	-
Amounts due from group undertakings	18,747	-
	<hr/>	<hr/>
	21,412	3,299
	<hr/>	<hr/>

All amounts fall due within one year.

Amounts due from group undertakings are interest bearing at a fixed rate of 4%, are unsecured and are repayable on demand.

12 Creditors: amounts falling due within one year

	31 March 2020 £'000	31 December 2018 £'000
Trade creditors	5,043	3,471
Amounts owed to fellow group undertakings	4,377	323
Other taxation including social security	542	767
Other creditors	511	-
Accruals and deferred income	9,562	10,425
	<hr/>	<hr/>
	20,035	14,986
	<hr/>	<hr/>

Amounts owed to fellow group undertakings are interest bearing at a fixed rate of 4%, are unsecured and are repayable on demand.

Notes (continued)

13 Creditors: amounts falling due after more than one year

	31 March	31 December
	2020	2018
	£'000	£'000
Term loan	99,406	66,459
Amounts owed to fellow group undertakings	-	9,107
Advance deposits	629	97
	<u>100,035</u>	<u>75,663</u>

The term loan is secured by a floating charge over the assets of the Company. The term loan is repayable on 5 December 2024. Interest is payable at 2% above LIBOR.

The principal amount of the term loan is £100,000,000 and the balance above includes legal costs and arrangement fees of £932,000 being amortised over the term of the loan.

14 Loan

	2020	2018
	£'000	£'000
Loans repayable, included within creditors, is analysed as follows:		
Wholly repayable in two to five years	99,406	75,566
	<u>99,406</u>	<u>75,566</u>

Notes (continued)

15 Deferred tax	Assets		Liabilities		Net	
	31 March	31 December	31 March	31 December	31 March	31 December
	2020	2018	2020	2018	2020	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Tangible fixed assets	-	-	(977)	(647)	(977)	(647)
Provisions	-	42	-	-	-	42
Net tax liability	-	42	(1,231)	(647)	(977)	(605)

Movement in deferred tax during the period:

	31 December 2018 £'000	Recognised in income £'000	31 March 2020 £'000
Tangible fixed assets	(647)	(330)	(977)
Provisions	42	(42)	-
Net tax liability	(605)	(372)	(977)

Movement in deferred tax during prior year:

	1 January 2018 £'000	Recognised in income £'000	31 December 2018 £'000
Tangible fixed assets	(113)	(534)	(647)
Provisions	40	2	42
Net tax liability	(73)	(532)	(605)

16 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current period was £719,000 (31 December 2018 - £546,000).
Outstanding contributions at the 31 March 2020 totalled £153,000 (31 December 2018 - £51,000).

Notes (continued)

17 Capital and reserves

	31 March 2020 £'000	31 December 2018 £'000
<i>Allotted, called up and fully paid</i>		
5,000,000 (31 December 2018 – 5,000,000) ordinary shares of £1 each	5,000	5,000

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.

Dividends

During the period total dividends of £4,645,000 (31 December 2018 - £4,000,000), were proposed by the directors and paid.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31 March 2020 £'000	31 December 2018 £'000
Less than one year	165	487
Between one and five years	150	224
More than five years	-	2
	<u>315</u>	<u>713</u>

During the period £416,000 was recognised as an expense in the profit and loss account in respect of operating leases for plant and machinery (31 December 2018 - £325,000) and £65,000 in respect of other lease rentals (31 December 2018 - £52,000).

Non-cancellable operating lease rentals receivable are as follows:

	31 March 2020 £'000	31 December 2018 £'000
Less than one year	147	156
Between one and five years	138	228
More than five years	-	-
	<u>285</u>	<u>384</u>

During the period £559,848 was recognised as income on contingent rents (31 December 2018 - £504,924).

Notes *(continued)*

19 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £2,642,374 for the company (31 December 2018 - £4,592,158).

20 Related parties

The company is related to Ennismore International Management Limited ("Ennismore") by virtue of the fact that Ennismore is controlled by a director of the company. During the period, Ennismore charged the company £3,524,266 (31 December 2018 - £2,029,755) in respect of management and other services. At 31 March 2020, Ennismore owed the company £165,298 (31 December 2018 - £686,494 due from) in respect of these transactions.

The company is related to Glenmor Owners Club ("Glenmor") by virtue of the fact that directors of the company are committee members of Glenmor with significant influence over its operations. During the period the company recharged operating costs of £2,116,875 (31 December 2018 - £1,811,638) to Glenmor. At 31 March 2020 the company owed £10,121 (31 December 2018 - £5,555 due from) to Glenmor.

During the period the Company received funds of £120,438 (31 December 2018 - £340,109) from and paid amounts of £152,420 (31 December 2018 - £195,806) on behalf of a director of the Company. At 31 March 2020 the director owed the company £19,429 (31 December 2018 - £12,553 owed to director).

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that 100% of the voting rights in these companies were controlled by the group during the period.

21 Controlling party

The largest group in which the results the company are consolidated is that headed by Bharti Overseas Private Limited, a company incorporated in India. Copies of the Bharti Overseas Private Limited consolidated accounts are available to the public and may be obtained from the Ministry of Corporate Affairs, India.

The company's immediate parent company is GH Holdings 2 Limited, a company registered in England and Wales. The smallest group in which the results are consolidated is that headed by GH Holdings 1 Limited, a company registered in England and Wales. The consolidated accounts of GH Holdings 1 Limited are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

22 Accounting estimates and judgements

Key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken in to consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.