

Registered number 00171238



CORUS HOTELS LIMITED

**Annual report and accounts
30 June 2019**

CORUS HOTELS LIMITED

Financial statements for the year ended 30 June 2019

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CORUS HOTELS LIMITED

Officers and professional advisers

Directors	Y K Loy K L Kwa A Khoo D Westerby
Secretary	K Mohmand
Registered office	Corus House 1 Auckland Park Milton Keynes Buckinghamshire MK1 1BU
Registered number	00171238
Auditor	MHA MacIntyre Hudson LLP Chartered Accountants and Statutory Auditor Sovereign Court 230 Upper Fifth Street Central Milton Keynes MK9 2HR
Principal bankers	Bank of East Asia 75 Shaftsbury Avenue London W1D 5BB Royal Bank of Scotland Plc PO Box 412 62 – 62 Threadneedle Street London EC2R 8LA
Solicitors	Dentons UK & Middle East One Fleet Place London EC4M 7WS
Insurance Brokers	RK Hamison Insurance Brokers Limited The Mallings Lurke Street Bedford MK40 3HH

CORUS HOTELS LIMITED

Directors' report for the year ended 30 June 2019

The directors present their annual report and the consolidated financial statements of the company and group for the year ended 30 June 2019.

Results and dividends

The results of the group for the year ended 30 June 2019 are set out on page 8 in the financial statements.

The directors have paid a dividend for the year ended 30 June 2019 of £Nil (2018: £61,900,000).

Principal activity and review of the business

The principal activity of the company and group continues to be the operation of hotels, restaurants and the provision of conference related leisure activities.

A fair review of the business and a description of the principal risks and uncertainties facing the group are set out in the strategic report on page 4.

Directors and their interests

The following directors served during the year ended 30 June 2019:

Dr K P Khoo – Non-Executive Chairman (resigned 1 May 2019)
N F Wong (resigned 20 January 2020)
K C Ng (resigned 29 August 2018)
K L Kwa
Y K Loy
A Khoo
D Westerby (appointed 18 February 2020)

No director is a registered holder of any shares in the company and no director holds any option over any shares in the company.

Going concern

The directors consider that the group has adequate resources and facilities to continue in operational existence for the foreseeable future and accordingly have adopted the going concern basis in the preparation of the financial statements, as referred to in Note 2 of the financial statements.

Employees

The group has a participative management style with frequent direct contact between junior and senior employees. A two-way flow of information and feedback is maintained through formal and informal meetings covering company and unit performance. The group operates Management Consultative Committees and Staff Consultative Committees in all hotels. The group is an Equal Employment Opportunity employer.

Donations

During the year, the group did not make any political or charitable donations.

Directors' indemnities

The group maintains directors' and officers' liability insurance providing appropriate cover for any legal action brought against its directors, for which they may be held personally liable, except where there is a lack of good faith.

Disabled persons

The group's policy is to give all applications for employment from disabled persons full consideration in relation to the vacancy concerned and their own aptitude and abilities. In the event of existing staff members becoming disabled, every effort is made to enable them to maintain their present position or to provide appropriate training and employ them in suitable work within another department.

Training, career development and promotion of disabled persons employed by the group is considered and administered in the same manner as for other employees, taking into account any additional support requirements of those requirements of those persons.

Future developments

The group plans to re-brand The Burnham Beeches Hotel, phase 1 work commenced in January 2019. Further future developments under focus are the re-development of The Regency Hotel in Solihull and The Chace Hotel in Coventry.

Post balance sheet events

There have been no events requiring reporting since the end of the year, other than those referred to in the strategic report.

CORUS HOTELS LIMITED

Directors' report for the year ended 30 June 2019 (continued)

Auditor

On 1 January 2020, our auditors Keens Shay Keens MK LLP merged with MacIntyre Hudson LLP, trading under the name MHA MacIntyre Hudson. MHA MacIntyre Hudson has expressed their willingness to continue in office.

In accordance with the company's articles, a resolution proposing that MHA MacIntyre Hudson be reappointed as auditor of the company will be put to a General Meeting.

In so far as each of the directors are aware:

- there is no relevant audit information of which the group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the group's results for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the board of directors and signed on behalf of the board on 6 April 2020.



David Westerby
Director

CORUS HOTELS LIMITED

Strategic report for the year ended 30 June 2019

The directors present their strategic report for the year ended 30 June 2019.

Review of business and financial performance

The directors consider average room rate and occupancy levels as key performance indicators (KPI).

KPI	CURRENT YEAR	LAST YEAR	PERCENTAGE CHANGE
AVERAGE ROOM RATE	£91.33	£84.23	+8.43%
OCCUPANCY	66%	67%	-1%
ROOM YIELD	£60.48	£56.02	+7.96%

The company reported an increase in the average room rate of 8.43% from £84.23 to £91.33 and occupancy was maintained at 66% compared to last year's occupancy of 67%. Room yield was up at £60.48 for the year compared to £56.02 last year. Year-to-date like for like total sales for the hotel group improved by 3% (+£870,000) compared to last year, from £26.203 million to £27.073 million. Accommodation revenue was up £864,000 on last year, at £19,563 million.

Laura Ashley Hotel, The Belsfield continued to perform strong with average room rate of £150 vs £146 last year. Occupancy dropped by 3% to 65%.

Corus Hyde Park Hotel also maintained healthy average room rate of £107 vs £102 last year, with occupancy improving by 5% to 83%.

The company's turnover was £27.241 million for the year ended 30 June 2019 compared to £28.224 million for the year ended 30 June 2018. Operating (loss)/profit on ordinary activities before depreciation, interest and tax was £(32,218) million compared to £4.848 million last year.

The group expects to continue improving average rooms rate in the coming year and expects the occupancy to remain steady by launching the next boutique hotels after the success of The Belsfield.

Risks and uncertainties

Interest rate risk

The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

The company manages its interest rate risk by regularly reviewing its existing position, refinancing or alternative financing to ensure the company seeks to borrow at competitive rates. The company also calculates the impact on profit and loss of a defined interest rate shift. This exercise is performed on a quarterly basis to verify that the maximum loss potential is within the limit given by management, various scenarios are considered.

COVID 19

The new coronavirus, which causes the new disease COVID-19, is the major uncertainty in the global economy with the potential to trigger a worldwide recession. The trajectory of the disease and its economic consequences are highly uncertain.

Attempting to forecast the outcome of the coronavirus event is highly problematic because individuals and businesses are making decisions every day that depend on the prevailing economic outlook and restrictions on global travel.

The directors recognise that this is a worldwide crisis and Government's guidelines around the world will have to be strictly followed. The parent group and the company will make available resources to weather this storm which is expected to last a few months. The company will also mitigate losses by claiming against its existing business interruption insurance policy.

During the year, the group companies have instigated a series of control measures, which include zero use of casual and agency staff, limited service on Sundays, increased multi-skilling of staff roles and closure of leisure clubs.

All hotels were closed for business as of 23rd March 2020 in accordance with government efforts to contain the pandemic: the directors will utilise the UK government's Coronavirus Job Retention Scheme programme to contain payroll costs, and to mitigate recruitment costs in the coming months.

CORUS HOTELS LIMITED

Strategic report for the year ended 30 June 2019 (continued)

Additionally, the directors have to report that the group disposed of an interest in land in Edinburgh in February 2020, for £7.2 million, generating a gain on disposal of £3.1 million. Having settled lending associated with this site, the group has generated significant additional cashflows as a result, which, in addition to existing funds and pre-existing bank facilities, will also support the group during this period of uncertainty.

As referred to above, the Government has also announced number of relief measure to help businesses in the retail and leisure sector in the current crisis and the directors are actively seeking guidance on the application of these measures; these include deferring tax payments and business rates relief, together with anticipated assistance in the form of guarantee loans to businesses where necessary, and additional support for continued employment of existing staff and colleagues.

Brexit

A major challenge next year will be the consequences of the BREXIT negotiations, as the effects and outcomes are not clear, especially in London.

Credit risk

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and credit exposure to customers.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Approved by the board of directors and signed on behalf of the board.



David Westerby
Director

6 April 2020.

CORUS HOTELS LIMITED

Independent auditors' report to the shareholders of Corus Hotels Limited

Opinion

We have audited the financial statements of Corus Hotels Limited and its subsidiaries (the "group") for the year ended 30 June 2019 which comprise consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 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 group 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 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 audit opinion.

Material uncertainty regarding going concern

We draw your attention to the strategic report and note 2 in the financial statements, in connection with the current coronavirus pandemic, and the uncertainties surrounding the future trading position of the group, arising from that. As stated in note 2, this event along with other matters set out in note 2, indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

CORUS HOTELS LIMITED

Independent auditors' report to the shareholders of Corus Hotels Limited (continued)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 group's and the 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 the directors 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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: 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.



PAUL DAVIS FCA (Senior Statutory Auditor)
for and on behalf of MacIntyre Hudson LLP
Chartered Accountants and Statutory Auditor

6 APRIL 2020

CORUS HOTELS LIMITED

Consolidated statement of comprehensive income for the year ended 30 June 2019

	Notes	2019 £'000	2018 as restated £'000
Revenue	4	27,241	28,224
Cost of sales	3	(16,486)	(20,270)
Gross profit		10,755	7,954
Administration expenses	3	(7,480)	(4,774)
Profit/(loss) on disposal of property, plant and equipment		(60)	35
Other operating income	5	60	-
Exceptional items	6	(36,950)	-
Operating profit		(33,685)	3,215
Interest receivable and similar income	11	-	1,310
Finance costs	12	(3,699)	(3,229)
Profit before taxation		(37,384)	1,296
Taxation	13	385	(247)
Profit for the financial year		(36,999)	1,049
Profit for the year attributable to:			
Equity holders of the company		(37,084)	633
Non-controlling interests		95	416
		(36,999)	1,049

There was no other comprehensive income

All the groups' activities consist of continuing operations.

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

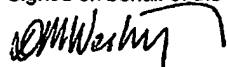
CORUS HOTELS LIMITED

Consolidated statement of financial position as at 30 June 2019

	Notes	2019 £'000	2018 as restated £'000
Non-current assets			
Intangible assets	14	260	260
Property, plant and equipment	15	93,726	93,474
Loans to related undertakings	17	-	37,002
		<u>93,986</u>	<u>130,736</u>
Current assets			
Inventories	18	102	129
Trade and other receivables	19	3,035	3,473
Loans from related undertakings	23	65,594	65,709
Cash and cash equivalents	20	9,502	9,348
		<u>78,233</u>	<u>78,659</u>
Current liabilities			
Financial liabilities	25	(85,934)	(3,971)
Trade and other payables	21	(5,978)	(6,663)
Taxation		91	(208)
		<u>(91,821)</u>	<u>(10,842)</u>
Net current assets		<u>(13,588)</u>	<u>67,817</u>
Non-current liabilities			
Financial liabilities	25	(3,442)	(84,442)
Net assets		<u>76,956</u>	<u>114,111</u>
Shareholders' equity			
Share capital	24	2	2
Share premium		-	-
Other reserves		158	576
Accumulated reserves		69,649	106,325
Equity attributable to equity holders of the company		<u>69,809</u>	<u>106,903</u>
Non-controlling interest		<u>7,147</u>	<u>7,208</u>
Total equity		<u>76,956</u>	<u>114,111</u>

The financial statements were authorised for issue and approved by the board of directors

Signed on behalf of the board of directors:



David Westerby
Director

Company Registration Number: 00171238

6 April 2020

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Company statement of financial position as at 30 June 2019

	Notes	2019	2018 as restated
		£'000	£'000
Non-current assets			
Property, plant and equipment	15	4,530	4,529
Investments	16	-	216
Deferred tax asset	22	947	857
		<u>5,477</u>	<u>5,602</u>
Current assets			
Inventories	18	7	25
Loans to related undertakings	17	67,478	114,854
Trade and other receivables	19	1,968	2,730
Cash and cash equivalents	20	-	157
		<u>69,453</u>	<u>117,766</u>
Current liabilities			
Financial liabilities	25	(6,034)	(3,595)
Trade and other payables	21	(4,356)	(6,219)
Loans from related undertakings	23	(263)	(79,240)
		<u>(10,653)</u>	<u>(89,054)</u>
Net current assets		<u>58,800</u>	<u>28,712</u>
Non-current liabilities			
Financial liabilities	25	-	(2,325)
		<u>-</u>	<u>(2,325)</u>
Net Assets		<u>64,277</u>	<u>31,989</u>
Shareholders' equity			
Share capital	24	2	2
Share premium		-	-
Other reserves		1,438	1,438
Retained earnings		<u>62,837</u>	<u>30,549</u>
Total Equity		<u>64,277</u>	<u>31,989</u>

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the company is not presented as part of these accounts. The comprehensive income/(expense) for the year of the company was £32,044 (2018: £(3,565k) as restated).

The financial statements were authorised for issue and approved by the board of directors

Signed on behalf of the board of directors:



David Westerby
Director

6 April 2020

Company registration number 00171238

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Consolidated statement of changes in equity for the year ended 30 June 2019

	Share capital	Share premium	Other reserve	Retained (deficit)/ earnings	Total Attributable to equity holders of the group
	£'000	£'000	£'000	£'000	£'000
Balance at 30 June 2017	73,592	96,914	576	(2,912)	168,170
Changes in equity for 2018					
Share capital reduction	(73,590)	(96,914)	-	170,504	-
Comprehensive (expense) for the year	-	-	-	(163)	(163)
Dividend paid	-	-	-	(61,900)	(61,900)
Prior year adjustment				796	796
Balance at 30 June 2019 (as restated)	<u>2</u>	<u>-</u>	<u>576</u>	<u>106,325</u>	<u>106,903</u>
Changes in equity for 2019					
Revaluation reserve reduction			(418)	418	-
Comprehensive (expense) for the year	-	-	-	(37,094)	(37,094)
Balance at 30 June 2019	<u>2</u>	<u>-</u>	<u>158</u>	<u>69,649</u>	<u>69,809</u>

	Total Attributable to equity holders of the group	Non controlling interest	Total equity
	£'000	£'000	£'000
Balance at 30 June 2017	168,170	7,025	175,195
Changes in equity for 2018			
Comprehensive (expense) for the year	(163)	145	(18)
Dividend paid	(61,900)	(70)	(61,970)
Prior year adjustment	796	108	904
Balance at 30 June 2018 as restated	<u>106,903</u>	<u>7,208</u>	<u>114,111</u>
Changes in equity for 2019			
Comprehensive (expense) for the year	(37,094)	95	(36,999)
Dividend paid	-	(156)	(156)
Balance at 30 June 2019	<u>69,809</u>	<u>7,147</u>	<u>76,956</u>

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Company statement of changes in equity for the year ended 30 June 2019

	Share capital	Share premium	Other reserve	Retained (deficit)/ earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 30 June 2017	73,592	96,914	1,438	(74,490)	97,454
Changes in equity for 2018					
Share capital reduction	(73,590)	(96,914)	-	170,504	-
Comprehensive (expense) for the year	-	-	-	(3,675)	(3,675)
Dividend paid	-	-	-	(61,900)	(61,900)
Prior year adjustment				110	110
Balance at 30 June 2019 (as restated)	<u>2</u>	<u>-</u>	<u>1,438</u>	<u>30,549</u>	<u>31,989</u>
Changes in equity for 2019					
Share capital reduction			-		-
Comprehensive income for the year	-	-	-	32,044	32,044
Dividend receivable	-	-	-	244	244
Balance at 30 June 2019	<u>2</u>	<u>-</u>	<u>1,438</u>	<u>62,837</u>	<u>64,277</u>

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Consolidated statement of cash flows for the year ended 30 June 2019

	Notes	2019 £'000	2018 as restated £'000
Cash flows from operating activities			
Cash generated from operations	27	4,643	3,872
Interest paid		(3,699)	(3,229)
Tax paid		86	-
Net cash (outflow)/inflow from operating activities		1,030	643
Investing activities			
Interest received		-	1,310
Purchase of property, plant and equipment		(1,767)	(1,023)
Net cash generated from investment activities		(1,767)	287
Financing activities			
Repayment of bank borrowings		917	(228)
Dividend to non-controlling interests		(156)	(233)
Additional advances to related undertaking		167	(2,900)
HP net repayment		(151)	(28)
Net cash used in financing activities		777	(3,389)
Net decrease in cash and cash equivalents		40	(2,459)
Cash and cash equivalents at beginning of year		5,753	5,878
Cash and cash equivalents at end of year		5,793	3,419
Analysis of cash and cash equivalents		2019 £'000	2018 £'000
Cash and cash equivalents		9,502	9,348
Bank overdraft		(3,709)	(5,929)
		5,793	3,419

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

1. Presentation of financial statements

Corus Hotels Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the directors' report on page 2. The financial statements are presented in Sterling, which is the functional currency of the entity, to the nearest thousand (£'000).

2. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting and Accounting Standards adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The preparation of financial statements under IFRS requires the use of critical estimates and assumptions that effect the carrying value of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. See note 3 for more details.

The financial statements have been prepared on the historical cost basis except the revaluation of land and buildings. The principal accounting policies adopted are set out below and have been consistently applied to all periods presented unless otherwise stated.

New standards, amendments and IFRIC interpretations

At the date of authorisation of these financial statements, there were Standards and Interpretations were in issue but not yet effective which have not been applied in these financial statements.

IFRS 16 Leases is a new accounting standard effective for accounting periods commencing on or after 1 January 2019. The application of this change will have a material impact on the group's financial statements with the recognition of new right of use assets and lease liabilities on the group's balance sheet. The nature of expenses related to those leases has also changed as the straight-line operating lease expense has been replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' are standards effective for accounting periods commencing on or after 1 January 2018 and have been applied for the first time by the company in these results. Other than additional disclosures, the application has not had a material impact on the company.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 June 2019 that have had a material impact on the group. There are no other amendments to accounting standards, or IFRIC interpretations that are not yet effective that are expected to have a material impact on the group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company ("its subsidiaries") made up to 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions and balances between group enterprises are eliminated on consolidation.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

2. Summary of significant accounting policies (continued)

Going concern

In March 2020, a pandemic, arising from the coronavirus outbreak, was declared globally, which was already starting to have an impact on the group's business in terms of reduced bookings and reservations. During the month, the UK government required all hotels and restaurants to be shut, and accordingly, the group closed its hotels and restaurants to business.

Until that time, and for the current financial year, the group was trading profitably.

The group has taken all necessary actions to minimise the impact of these closures, in terms of cost reductions, and identifying grants and reliefs available to it to reduce the impact on its trading results, and consequentially, its working capital requirement.

The group (of which the company is a member) has a series of existing banking facilities, and its bankers continue to be supportive of the group, going forwards, during this period of closure.

The directors have prepared a series of financial forecasts, which take into account the anticipated period of closure, and outcomes, and are confident, that with existing cash reserves and facilities in place, that the adoption of the going concern basis of accounting is appropriate in preparing these financial statements.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the group, plus any costs directly attributable to the acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date, except for non-current assets that are held for resale, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of cost over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such occasions that events or changes in circumstances indicate that its value might be impaired.

On the disposal of a subsidiary, the attributable amount of unamortised goodwill, which has not been subject to impairment, is included in the determination of the profit or loss on disposal.

If the group's interest in the net fair value of a subsidiary's assets, liabilities and contingent liabilities exceeds cost of the business combination, the excess after any adjustment for fair value ("negative goodwill") is recognised in the statement of comprehensive income immediately.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Revenue recognition

IFRS 15 'Revenue from Contracts with Customers' replaces the previous measurement standards IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The company did not consider there to be any difference in the way revenue is recognised under IFRS 15 and therefore no restatement has been made.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for completed night stays as well as other goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods and services have transferred to the customer and the customer has control of these.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Leasing

Rentals payable under operating leases are charged to expenditure on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. The anticipated impact of IFRS 16 can be found in note 26.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

2. Summary of significant accounting policies (continued)

Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period to which they are incurred.

Taxation

The tax charge represents the sum of current and deferred tax.

Current tax currently payable is based on taxable profits for the year. Taxable profits differ from net profits as reported in the statement of comprehensive income because it excludes items that are taxable or deductible in other years and items that are not taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on material differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognised for all material temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability or the asset is realised.

Pension costs

The group operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as incurred. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

Currencies

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions.

Impairment

At each reporting date, the group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount which is the higher of fair value less costs of disposal and value-in-use. To determine value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Impairment losses relating to goodwill are not reversed.

Prior period adjustment

1. Depreciation and Impairment

In the prior year financial statements, the group's and company's property, plant and equipment was incorrectly stated. Property, plant and equipment which was brought forward from the previous accounting system, and maintained outside the current system, was not appropriately disposed of or depreciated in agreement with accounting policies.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

2. Summary of significant accounting policies (continued)

Impact on the group

The incorrect depreciation and impairment of property, plant and equipment resulted in the group administrative expenses being overstated by £1,067k at 30 June 2018, and profit for the financial year ended 30 June 2018 being understated by £796k for the group and £271k for the non-controlling interests.

There were also IFRS consolidation adjustments that were not allocated to the correct asset category which resulted in land and buildings being overstated and plant, furniture and equipment being understated by £2,377k.

Impact on the company

The incorrect depreciation and impairment of property, plant and equipment resulted in the company administrative expenses being understated by £146k at 30 June 2018, and profit for the financial year ended 30 June 2018 being overstated by £146k.

2. Dividends

Additionally, due to an oversight by the directors, two dividends paid and declared in the year ended 30 June 2018 were not correctly reflected in the financial statements for the year ended 30 June 2018.

Impact on the group

The incorrect dividend resulted in the overstatement of non-controlling interests retained earnings by £163k at 30 June 2018. There was no impact for the group as the dividends netted off in the group.

Impact on the company

The incorrect dividend resulted in the overstatement of company's retained earnings by £256k at 30 June 2018.

Further details of the prior year adjustments are set out in note 30.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write the cost less residual value over estimated useful lives, using the straight-line method commencing in the month following the purchase, on the following basis:

Buildings	-	Between 50 and 150 years
Plant, furniture and equipment	-	Between 3 and 25 years

The useful lives and residual values of assets are reviewed annually. No depreciation is provided on land.

The gain or loss arising on the disposal of an asset including disposal costs is recognised in the statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated revenue less all estimated costs of completion and necessary selling costs.

At each balance sheet date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

Financial assets and receivables

Assets generated from goods or services transferred to customers are now presented as either receivables or contract assets, in accordance with IFRS 15. The assessment of impairment of receivables from 1 July 2018 is in accordance with IFRS 9 'Financial Instruments'. The group does not have any contract assets.

All cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the company's revenue streams are therefore initially measured at their fair value, which is considered to be their transaction price (as defined in IFRS 15) and are subsequently remeasured at amortised cost.

Under IFRS 9, the company will now recognise a loss allowance for expected credit losses (ECL) on financial assets subsequently measured at amortised cost using the 'simplified approach', and individually significant balances are reviewed separately for impairment based on credit terms agreed with the customer. Other balances are assessed into credit risk categories and reviewed in aggregate.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

2. Summary of significant accounting policies (continued)

Following initial recognition, financial assets are subsequently remeasured at amortised cost using the effective interest method.

Financial liabilities and equity

The company's financial liabilities are overdrafts, trade and other payables including accrued expenses, and amounts owed to group companies, and are classified according to the substance of the contractual arrangements entered into. Trade payables on normal terms are not interest bearing and are stated at their fair value on initial recognition and subsequently at amortised cost.

An equity instrument is any contract that creates a residual interest in the assets of the group, and are recorded at the proceeds received, net of direct issue costs.

Trade receivables

Trade receivables are initially recognised at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence, such as an increase in delayed payments, that the asset is potentially impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term deposits and liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest rate method.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event from which it is likely that an outflow of economic benefits will occur which can be reasonably quantified.

Derivative financial instruments

The group's activities expose it primarily to the financial risks of change in interest rates. The group uses interest rate swaps to hedge against interest rate risk where considered appropriate. The group does not use derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately.

A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are treated as current assets or liabilities.

3. Critical accounting estimates and judgements

There are no critical judgements in the preparation of these financial statements. Estimates have been made by management concerning the following:

Impairment of land freehold and property

Determining whether land and freehold property are impaired relies upon valuations carried out by suitably qualified and independent experts. If this information is unavailable, an estimate of the value in use calculation is performed. The value-in-use calculation involves an estimate of the future cash flows of the respective hotels and also the selection of appropriate discount rates to calculate present values. Future cash flows are estimated using the current one-year budget forecast, extrapolated for a future growth rate. The estimated growth rates are based on past experience and knowledge of the individual sector's markets. Changes in estimated growth rate could result in variations to the carrying value of these assets.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

4. Revenue

All turnover arose with the United Kingdom and related to the running of hotels and the provision of ancillary services.

	2019 £'000	2018 £'000
Turnover analysed by class of business		
Accommodation	19,563	19,158
Food and beverage	6,268	7,594
Other	1,410	1,472
	<u>27,241</u>	<u>28,224</u>

5. Other operating income

	2019 £'000	2018 £'000
Rent receivable	<u>60</u>	<u>-</u>

6. Exceptional items

	2019 £'000	2018 £'000
Intercompany balance written off	(36,950)	-
Other exceptional items	<u>(70)</u>	<u>-</u>
Exceptional items	<u>(37,020)</u>	<u>-</u>

During the year, the directors carried out a restructuring of the London Vista Hotel Limited group, and as a result, intercompany balances due to various group companies were written off to the statement of comprehensive income.

7. Operating expenses by nature

	2019 £'000	2018 as restated £'000
Changes in inventories	(27)	(58)
Inventory expensed	2,086	2,154
Employee costs	9,375	10,266
Depreciation expense	1,467	1,633
Other expenses	11,065	11,049
	<u>23,976</u>	<u>25,044</u>
Total cost of sales and administrative expenses	<u>23,976</u>	<u>25,044</u>

8. Auditors remuneration

	2019 £'000	2018 £'000
Annual audit – parent company and consolidated financial statements	10,000	10,000
Audit of company's subsidiaries pursuant to legislation	70,000	65,000
	<u>80,000</u>	<u>75,000</u>
Non audit services		
Tax compliance services	18,000	20,000
Other services	27,000	68,000
	<u>45,000</u>	<u>88,000</u>

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

9. Employee costs	2019	2018
	£'000	£'000
The costs employing staff was:		
Wages and salaries	8,716	9,606
Social security costs	672	595
Other pension costs	88	65
	9,375	10,266
	No.	No.
The average number of employees during the year was	434	605
10. Directors remuneration		
The remuneration received by the directors of the company during the year is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.		
	2019	2018
	£'000	£'000
Directors		
Aggregate emoluments	171,325	150,000
	171,325	150,000
During the year, retirement benefits were accruing to nil directors (2018: Nil) in respect of defined contribution pension schemes.		
11. Interest receivable and similar income	2019	2018
	£'000	£'000
Interest from related undertakings (Note 17)	-	1,310
12. Finance costs	2019	2018
	£'000	£'000
Interest on bank loans and overdrafts	3,699	3,229
13. Taxation		
(a) Analysis of tax charge in year		
	2019	2018
	£'000	as restated £'000
Current tax:		
United Kingdom corporation tax	(386)	228
Adjustment in respect of previous year	1	19
Total current tax	(385)	247

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

13. Taxation (continued)

	2019 £'000	2018 as restated £'000
Deferred tax:		
Origination and reversal of timing differences	(73)	-
Surplus ACT	73	-
Total deferred tax	-	-
Total tax charge on profit from continuing operations	385	247

The deferred tax movements have been detailed in note 22.

(b) Factors affecting tax charge for year

	2019 £'000	2018 as restated £'000
Profit before tax	(37,384)	1,296
Tax on profit from continuing operations at standard UK corporation tax rate of 19% (2018: 19%)	(7,103)	246
Effects of:		
Expenses not deductible for tax purposes	454	49
Gains/(losses) not taxable	(289)	-
Group relief	60	-
Permanent capital allowances in excess of depreciation	55	-
Impairment of investment	1,086	-
Restructure of group loans	5,761	-
Depreciation on assets not qualifying for tax allowances	(2)	-
Movement in unrecognised deferred tax	53	110
Adjustments to tax charge in respect of previous years	1	19
Deferred tax movement regarding HBA's	(80)	9
Irrecoverable surplus ACT	93	71
Minority interest adjustment	-	(40)
Prior year adjustment	(464)	(217)
Total tax charge for year	385	247

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

14. Intangible assets

Group

	2019 £'000	2018 £'000
Carrying amount		
At 30 June 2019 and 30 June 2018	260	260

The carrying amount of goodwill that has been partly allocated to a single cash generating unit is £223k. This has been allocated on a value in use basis to Burnham Beeches hotel. The value in use has been calculated using an estimated budget based on a growth forecast of 4% for the next 5 years and includes an estimated value of the hotel at the end of the 5 years to which a discount rate of 4% has been applied.

The remaining £37k of goodwill is allocated over a number of separately identifiable cash generating units.

The goodwill has been assessed for impairment using a discounted cashflow forecast, assuming similar forecasts as above, both of which management acknowledge are extremely prudent, and the calculation still results in significant headroom between the value in use and carrying value of the asset.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

15. Property, plant and equipment

Group 2019

	Land and buildings £'000	Plant furniture and equipment £'000	Total £'000
Cost			
At 1 July 2018 (as restated)	98,326	11,023	109,349
Additions	-	1,767	1,767
Disposal	(669)	(645)	(1,314)
At 30 June 2019	97,657	12,145	109,802
Depreciation			
At 1 July 2018 (as restated)	4,466	4,957	9,423
Charge for the year	41	1,426	1,467
Disposal	(609)	(645)	(1,254)
At 30 June 2019	3,898	5,738	9,636
Impairment			
At 1 July 2018 (as restated)	6,451	-	6,451
Written back in year on disposal	(11)	-	(11)
At 30 June 2019	6,440	-	6,440
Net book value:			
At 30 June 2019	87,319	6,407	93,726

Group 2018

	Land and Buildings £'000	Plant furniture and equipment £'000	Total £'000
Cost			
At 1 July 2017	107,677	30,617	138,294
Additions	323	700	1,023
Reclassification	(6,740)	(3,451)	(10,191)
Prior year adjustment (note 2)	(557)	(25,101)	(25,658)
Prior year reclassification	(2,377)	8,258	5,881
At 30 June 2018	98,326	11,023	109,349
Depreciation			
At 1 July 2017	8,873	25,871	34,744
Charge for the year	552	1,081	1,633
Disposal	(1,704)	(3,073)	(4,777)
Prior year adjustment (note 2)	(3,255)	(24,803)	(28,058)
Prior year reclassification	-	5,881	5,881
At 30 June 2018	4,466	4,957	9,423
Impairment			
At 1 July 2017	7,761	-	7,761
Written back in year on disposal	(2,642)	-	(2,642)
Prior year adjustment	1,332	-	1,332
At 30 June 2018	6,451	-	6,451
Net book value:			
At 30 June 2018	87,409	6,066	93,475

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

15. Property, plant and equipment (continued)

Company 2019

	Land £'000	Buildings £'000	Plant furniture and equipment £'000	Total £'000
Cost				
At 1 July 2018 (as restated)	4,165	274	182	4,621
Additions	-	-	41	41
Disposals	-	-	-	-
At 31 June 2019	4,165	274	223	4,662
Depreciation:				
At 1 July 2018 (as restated)	-	41	51	92
Charge for the year	-	-	40	40
Disposals	-	-	-	-
At 30 June 2019	-	41	91	132
Impairment				
At 1 July 2018 (as restated)	-	-	-	-
At 30 June 2019	-	-	-	-
Net book value:				
At 30 June 2019	4,165	233	132	4,530

2018

	Land £'000	Buildings £'000	Plant furniture and equipment £'000	Total £'000
Cost				
At 1 July 2017	4,165	266	3,424	7,855
Additions	-	8	112	120
Disposals	-	-	(133)	(133)
Prior year adjustment (note 2)	-	-	(3,221)	(3,221)
At 30 June 2018	4,165	274	182	4,621
Depreciation:				
At 1 July 2017	-	84	2,791	2,875
Charge for the year	-	1	24	25
Disposals	-	-	(133)	(133)
Prior period adjustment (note 2)	-	(44)	(2,631)	(2,675)
At 30 June 2018	-	41	51	92
Impairment				
At 1 July 2017	-	-	400	400
Prior period adjustment (note 2)	-	-	(400)	(400)
At 30 June 2018	-	-	-	-
Net book value:				
At 30 June 2018	4,165	233	131	4,529

Assets pledged as security

During 2019, the group held equipment with a carrying amount £527k (2018: £568k) under finance leases, which is secured by the lessor's title to the leased assets.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

16. Investments in subsidiary undertakings	£'000
At 1 July 2018	216
Written down in the year	(216)
At 30 June 2019	-

The following were direct subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Principal activity	2019 %	2018 %
Delaquest Limited	England & Wales	Ordinary	Hotel operator	100	100
Patrolmake Limited	England & Wales	Ordinary	Hotel operator	100	100
The Restaurant Partnership Plc	England & Wales	Ordinary	Non-trading	62.5	62.5
Rose and Crown VCT Limited	England & Wales	Ordinary	Dormant	100	100

Indirect subsidiary undertakings

The following were direct subsidiary undertakings of Delaquest Limited:

Name	Country of incorporation	Class of shares	Principal activity	2019 %	2018 %
Belsfield LLP	England & Wales	Ordinary	Hotel operator	61.11	61.11
Flamepro Limited	England & Wales	Ordinary	Hotel operator	100	100

The following were direct and indirect(*) subsidiary undertakings of Patrolmake Limited:

Name	Country of incorporation	Class of shares	Principal activity	2019 %	2018 %
Dionball Limited	England & Wales	Ordinary	Non-trading holding company	100	100
The Imperial Crown Hotel Limited	England & Wales	Ordinary	Hotel operator	100	100
Plaza on Hyde Park Limited	England & Wales	Ordinary	Hotel operator	100	100
Echostand Limited	England & Wales	Ordinary	Dormant	100	100
Shandwick Leisure Limited	Scotland	Ordinary	Dormant	100	100
Styletune Limited	England & Wales	Ordinary	Dormant	100	100
County Hotels Group Limited*	England & Wales	Ordinary	Non-trading holding company	100	100
County Hotels Limited*	England & Wales	Ordinary	Hotel operator	61.11	61.11

All subsidiary companies prepare accounts to 30 June 2019 and are included in the consolidated accounts of Corus Hotels Limited and share the registered office listed on page 1.

17. Loans to related undertakings

Group	2019 £'000	2018 £'000
Over one year		
Loan to Libertyray (M) Sdn Bhd	-	37,002
Less than one year		
Loan to immediate parent company	80,593	80,544
Provision	(15,000)	(15,000)
Loan to Laura Ashley Plc	1	165
	65,594	65,709

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

17. Loans to related undertakings (continued)

The loan to Libertyray (M) Sdn Bhd, a company related via common ownership, has been provided to assist the MUI group with its financing activities. The interest receivable was charged at 2.5% above the Bank of England base rate, the charge for the year ended 30 June 2019 was £Nil (2018: 1,310k). On 29 August 2018 the loan was reassigned to the immediate parent company, the amount assigned was as at 30 June 2018 value.

Company	2019 £'000	2018 £'000
Within one year-		
London Vista Hotel Limited	80,579	80,544
Provision	(15,000)	(15,000)
Loans to subsidiaries		
Delaquest Limited	563	26,469
Patrolmake Limited	-	22,345
Belsfield LLP	-	208
County Hotels Limited	623	288
Flamepro Limited	389	-
Plaza on Hyde Park Limited	324	-
	<u>67,478</u>	<u>114,854</u>

Following a restructuring of all inter group debt last year all loans receivable from company's within the Corus Hotel group are now classified as receivable or payable within 1 year.

18. Inventories

Group	2019 £'000	2018 £'000
Consumables	<u>102</u>	<u>129</u>
Company		
	2019 £'000	2018 £'000
Consumables	<u>7</u>	<u>25</u>

19. Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	1,058	896	2	-
Other receivables	61	232	50	389
Prepayments and accrued income	1,916	2,345	1,916	2,341
	<u>3,035</u>	<u>3,473</u>	<u>1,968</u>	<u>2,730</u>

The average credit period taken on sales of services was 13 days (2018: 18 days). The amounts presented in the financial statements are net of allowances for doubtful receivables, estimated by the group's management based on prior experience. Note 25 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

20. Cash and cash equivalents

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash and cash equivalents	9,502	9,348	-	157
	<u>9,502</u>	<u>9,348</u>	<u>-</u>	<u>157</u>

21. Trade and other payables

	Group		Company	
	2019 £'000	2018 as restated £'000	2019 £'000	2018 as restated £'000
Trade payables	1,862	2,345	1,862	1,928
Other taxation and social security	739	905	739	871
Accruals and deferred income	2,381	2,433	1,097	2,918
Other creditors	267	48	156	2
Financial derivative	227	430	-	-
Amounts payable to related undertakings	502	502	502	502
	<u>5,978</u>	<u>6,663</u>	<u>4,356</u>	<u>6,219</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables was 25 days (2018: 21 days) and directors believe their carrying value equates to their fair value.

The financial derivative relates to an interest rate swap over £26,200,000 of the £79,625,000 United Overseas bank loan detailed in note 25. The interest rate swap takes the variable rate of interest over this element of the loan of LIBOR plus 2.35% and fixes it at 4.31%.

The amount owed to related undertakings is payable to MUI Asia Limited, £2,000 (2018: £2,000) and Libertyray (M) Sdn Bhd £500,000 (2018: £500,000).

22. Deferred tax liability

Group

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes

	Accelerated Tax depreciation £'000	Tax losses £'000	Recoverable ACT £'000	TOTAL £'000
At 1 July 2017	1,808	(898)	(910)	-
Credit to income	(63)	-	(63)	-
Prior year adjustment	173	-	-	173
At 30 June 2018 (as restated)	<u>1,918</u>	<u>(898)</u>	<u>(947)</u>	<u>173</u>
Credit to income	(94)	-	(79)	(173)
30 June 2019	<u>1,824</u>	<u>(898)</u>	<u>(926)</u>	<u>-</u>

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

22. Deferred tax liability (continued)

The movement on current tax are detailed in Note 13.

As at the reporting date, the group has unused tax losses of £23,528,810 (2018: £23,528,810) available for offset against future profits. A deferred tax asset has been recognised in respect of £5,284,310 (2018: £5,284,310) of such losses. No deferred tax asset has been recognised in respect of the remaining £18,244,500 (2018: £18,244,500) due to the unpredictability of future profit streams. Closing deferred tax has been calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the temporary differences have been calculated at rates of 17% (2018: 17%).

Company

	Accelerated Tax depreciation £'000	Tax losses £'000	Recoverable ACT £'000	TOTAL £'000
At 1 July 2017	(23)	-	(907)	(930)
Transfer to current tax	13	-	60	73
At 30 June 2018	(10)	-	(847)	(857)
Transfer to current tax	(11)	-	(79)	(90)
At 30 June 2019	(21)	-	(926)	(947)

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2019 £'000	2018 £'000
Cost		
Deferred tax assets at 30 June 2019	(947)	(857)

23. Loans from related undertakings

Company

	2019 £'000	2018 £'000
Cost		
Due within 1 year		
Loan to subsidiaries		
County Hotels Group Limited	-	4,352
Flamepro Limited	-	26,213
Plaza on Hyde Park Limited	-	48,673
LA Tearooms	53	2
Belsfield LLP	211	-
	<u>263</u>	<u>79,240</u>

The repayment of the loans will be from the disposal proceeds of the hotels under the respective companies or from operations.

The loans are for the repayment of debt, interest servicing, operational requirements and for the refinancing of the hotels under the respective subsidiary.

The movements in the year are mainly due to waiving or repayment of debt, sales of hotels, refinancing proceeds and interest servicing and are deemed payable on demand as no formal agreement in place between the group entities.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

24. Share capital

	2019 £'000	2018 £'000
Cost		
Called up, allotted and fully paid: 20,000 (2018: 20,000) ordinary shares of 7.5p each	2	2

25. Financial instruments

Financial assets at amortised cost

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	1,058	896	2	-
Other receivables (excl. prepayments)	61	232	50	389
Cash and cash equivalents	9,502	9,348	-	157
	<u>10,621</u>	<u>10,476</u>	<u>52</u>	<u>546</u>

Financial liabilities at amortised cost

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<i>Within one year</i>				
Overdraft	3,709	3,595	3,709	3,595
Bank loans	82,142	227	2,325	-
Trade and other payables	1,862	2,182	1,862	2,182
Hire purchase creditor	83	149	-	-
	<u>87,796</u>	<u>6,153</u>	<u>7,896</u>	<u>5,777</u>
<i>Over one year</i>				
Hire purchase creditor	73	158	-	-
Bank loans	3,369	84,284	-	2,325
	<u>3,442</u>	<u>84,442</u>	<u>-</u>	<u>2,325</u>
Total	<u>91,238</u>	<u>90,595</u>	<u>7,896</u>	<u>8,102</u>

The carrying amounts of accounts receivable, accounts payable and certain accrued liabilities, all of which are financial instruments, are considered to approximate the fair value of these items due to the short-term nature of the amounts involved.

Financial risk management objectives

The group's policies as regards to financial instruments are set out in the accounting policies. The risks reviewed include market risk (including interest rate risk), credit risk and liquidity risk.

Market risk

The group's activities primarily expose it to the financial risks of interest rates, and management monitor and evaluate options to enter into interest rate swaps with lenders to mitigate its exposure to interest rates. The group analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Based on the simulations performed, the impact on the profit or loss and net assets of a 0.5% shift (being the maximum reasonable expectation of changes in interest rates), would be an increase of £407,000 or a decrease of £407,000. The gain or loss potential is then compared to the limits determined by management.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

25. Financial instruments (continued)

Credit risk management

Credit risk represents the financial loss the group would experience if a counterparty to a financial instrument, in which the group has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the group.

The group's credit risk is primarily attributable to its accounts receivable as cash balances are deposited with reputable financial institutions. The group performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of accounts receivable in order to mitigate any possible credit losses. The accounts receivable amounts disclosed in the financial statements are net of allowances for doubtful accounts, estimated by the group's management based on prior experience and their assessment of the current economic environment.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

30 June 2019	Current	30-60 days past due	60-90 days past due	>90 days past due	Total
Expected loss rate as %	0%	0%	0%	92%	
Gross carrying amount £'000	726	285	84	106	1,201
Loss allowance £'000	-	-	-	(98)	(98)
1 July 2018	Current	30-60 days past due	60-90 days past due	>90 days past due	Total
Expected loss rate as %	1%	21%	51%	100%	
Gross carrying amount £'000	487	293	83	33	896
Loss allowance £'000	(5)	(62)	(42)	(33)	(142)

The closing loss allowances for trade receivables as at 30 June 2019 reconcile to the opening loss allowances as follows:

	2019 £'000
At 1 July 2018 – calculated under IAS 39	
Increase in loss allowance recognised in the statement of comprehensive income during the year	143
Receivables written off during the year as uncollectable	(16)
Unused amounts reversed	(29)
At 30 June 2019	98

Liquidity risk management

Liquidity risk is the risk the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk through the management of its capital structure and of the group's rolling forecasts of its liquidity reserve. All accounts payable and certain accrued liabilities, which are financial instruments, are due in 2019 and the required contractual cash flows approximate the carrying amount of these financial liabilities.

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

25. Financial Instruments (continued)

Financial liabilities (continued)

The principal features of the financial liabilities are as follows:

- i) The bank overdraft is secured by a fixed and floating charge over the Group's assets. The effective interest rate on bank overdrafts is based on bank base rate plus margin of 3.5%.
- ii) A bank loan of £1,000,000 was taken out with Bank of Scotland PLC in January 2019 and is repayable in full in January 2024. The loan attracts an interest rate of LIBOR+ 2.90%. There is a fixed and floating charge over the freehold property known as Bumham Beeches Hotel. It is repayable as follows:

	Loan maturity profile £'000
Between two and five years	1,000
Total	1,000

- iii) There is a bank loan of £2,788,000 with Bank of Scotland which was renewed in October 2018. The loan attracts an interest rate of LIBOR +2.75% and is secured on the freehold property held in Belsfield LLP. It is repayable as follows:

	Loan maturity profile £'000
Within 1 year	192
Between two and five years	2,369
Total	2,561

- iii) A loan of £79,625,000 was taken out with United Overseas bank in March 2015. The proceeds were used to repay the loans of £33m and £35m with Maybank Islamic Berhad in full and the remainder used to fund working capital. The loan attracts an interest rate of LIBOR +2.35% over £53m with the remaining £26.625m attracting interest of 4.31% under an interest rate swap agreement, detailed in note 21. It is secured by a fixed and floating charge over the freehold property and all the intellectual property of Plaza on Hyde Park Limited.

	Loan maturity profile £'000
Within one year	79,625
Total	79,625

- iv) Loan of £2.325m with Bank of East Asia Limited was taken out on 13 February 2014, at 3.5% plus LIBOR. The full balance is outstanding at the year end. This is secured over the following freehold land and properties held within the group and is due for repayment within a year.

- 1. Corus Hotel Solihull
- 2. Chace Hotel Coventry
- 3. Hillcrest Hotel Widnes
- 4. Forth Bridges Edinburgh

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

25. Financial instruments (continued)

Maturity profile	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	85,737	3,821	6,920	3,595
Between one and two years	-	2,334	-	-
Between two and five years	3,369	81,950	-	2,325
	<u>89,106</u>	<u>88,105</u>	<u>-</u>	<u>-</u>

26. Operating lease commitments

At the reporting date, the group and company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	Land and buildings 2019 £'000	Other 2019 £'000	Land and buildings 2018 £'000	Other 2018 £'000
	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Total rentals payable on leases expiring:				
Within one year	500	123	455	134
Within two to five years	2,000	88	1,820	214
More than five years	21,645	-	25,157	-
	<u>24,145</u>	<u>211</u>	<u>27,432</u>	<u>348</u>

IFRS 16 Leases is a new accounting standard effective for accounting periods commencing on or after 1 January 2019. The application of this change will have a material impact on the group's financial statements with the recognition of new right of use assets and lease liabilities of £11,154k on the group's balance sheet. The nature of expenses related to those leases has also changed as the straight-line operating lease expense has been replaced with a depreciation charge for right-of-use assets of £213k per year and interest expense on lease liabilities over the length of the leases of £12,620K, with the charge each year being variable.

The modified retrospective method will be applied on transition. The incremental borrowing rate used in the calculations has been based on similar loans held in group, which is at LIBOR plus 2.35%.

27. Reconciliation of operating activities to operating cash flows

	2019 £'000	2018 £'000
Cost		
(Loss)/profit on ordinary activities before taxation	(37,384)	1,296
Adjustments for:		
Depreciation	1,467	1,633
Impairment reversal	(12)	-
(Loss)/profit on disposal of property, plant & equipment	60	(35)
Group restructure	36,950	-
Interest receivable	-	(1,310)
Finance costs	3,699	3,229
Prior year adjustment	-	(1,067)
Operating cash flows before movement in working capital	<u>4,780</u>	<u>3,746</u>
Change in inventories	27	58
Change in receivables	438	916
Change in payables	(602)	(848)
Cash generated from operations	<u>4,643</u>	<u>3,872</u>

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

28. Related party transactions

- a) Transactions between the parent company and its subsidiaries and related undertakings are disclosed in note 16, 17 and 23.
- b) Other transactions with related parties include:
 - Dividends paid to non-controlling interests can be found in the consolidated statement of changes in equity on page 11. Amounts owed to non-controlling interests at the year end was £156k (2018: £233k as restated).
- c) There are no other transactions with the directors of the company apart from those disclosed in note 10.

29. Immediate and ultimate parent company

The immediate parent company is London Vista Hotel Limited, a company incorporated in the United Kingdom. This is the smallest group in which Corus Hotels Limited is consolidated. The consolidated financial statements are available from Companies House.

The ultimate parent company is Malayan United Industries Berhad, a company incorporated in Malaysia. This is the largest group in which Corus Hotels Limited is consolidated. The consolidated financial statements, which include London Vista Hotel Limited, are available from Unit 3, 191 Jalan Ampeng, 450, Kuala Lumpur, Malaysia.

30. Prior year adjustment (see note 2)

Changes to the statement of financial position

Group	At 30 June 2018		
	As previously reported £'000	Adjustment £'000	As restated £'000
Non-current assets			
Property, plant and equipment	92,407	1,067	93,474
Current liabilities			
Trade and other payables	(6,500)	(163)	(6,663)
Net assets	<u>85,907</u>	<u>904</u>	<u>86,811</u>
Shareholders' equity			
Accumulated reserves	105,529	796	106,325
Non-controlling interest	7,100	108	7,208
Total equity	<u>112,629</u>	<u>904</u>	<u>113,533</u>

CORUS HOTELS LIMITED

Notes to the financial statements For the year ended 30 June 2019

30. Prior year adjustment (continued)

Company

At 30 June 2018

	As previously reported £'000	Adjustment £'000	As restated £'000
Non-current assets			
Property, plant and equipment	4,675	(146)	4,529
Current liabilities			
Trade and other payables	(6,475)	256	6,219
Net assets	<u>(1,800)</u>	<u>110</u>	<u>(1,690)</u>
Shareholders' equity			
Retained earnings	<u>30,439</u>	<u>110</u>	<u>30,439</u>

Changes to the statement of comprehensive income

Group

At 30 June 2018

	As previously reported £'000	Adjustment £'000	As restated £'000
Administrative expense	(5,841)	1,067	(4,774)
Profit for the financial year	<u>(5,841)</u>	<u>1,067</u>	<u>(4,774)</u>

Company

At 30 June 2018

	As previously reported £'000	Adjustment £'000	As restated £'000
Comprehensive income for the year	<u>(3,675)</u>	<u>110</u>	<u>(3,565)</u>