

**GLH Hotels Management (UK) Limited**

Annual report and financial statements

Registered number SC046004

30 June 2020



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## Strategic Report

The directors present their Strategic Report for the year ended 30 June 2020.

### Company status and principal activities

GLH Hotels Management (UK) Limited ('the Company') is a limited liability company domiciled and registered in Scotland. The principal activity of the Company is the management of 18 (2019: 17) hotels in the UK.

### Review of the business

In the past year, the Company has continued to operate in extremely challenging trading conditions for the hospitality industry mainly as a result of the unforeseen and unprecedented global issues brought about by the COVID-19 pandemic. As a result of the outbreak of COVID-19, and the UK wide lockdown enforced by the UK government from 23 March 2020, the hotels managed by the Company closed. The combination of these factors has had a substantial impact on the Company's performance in the financial year. At the date of approval of the financial statements 6 hotels were open, and 12 hotels remained closed.

With the situation around the pandemic remaining very fluid and uncertain, the full impact will depend on a number of factors, including the duration and extent of the UK Government imposed restrictions as well as the potentially larger effect on long term consumer confidence. The directors are monitoring the situation very closely and implementing measures to minimise the impact of this risk but remain confident of the underlying fundamentals of the market the Company operates in.

As a result of the impact COVID-19 has had, the directors have taken immediate measures to ensure all costs have been reduced to minimum levels including contractual costs and critical operational spend required to manage the hotels. Additionally, all available support to the Company has been explored and utilised including the UK Government's Coronavirus Job Retention Scheme.

During the year ended 30 June 2020 the number of hotels operated under management contracts with the Company was 18 (2019: 17). Loss before tax for the year ended 30 June 2020 was £4,226,000 (2019: £1,083,000 profit). The loss for the year was as a result of a 29% decrease in revenue due to the hotel closures. In addition, provisions were recognised for planned restructuring by the Company, see note 10 for details.

The Key Performance Indicator used to measure trading performance of the Company is revenue.

KPI:	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Revenue	18,671	26,186

### Engaging with our stakeholders (section 172(1) statement)

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

Our key stakeholders are our employees and owners of the managed hotels. All key company decisions consider the impact on relevant stakeholders. Increasingly, stakeholders are looking to understand our performance across multiple areas, from performance to products and services, innovation, governance and workplace practices. The Company endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of the different stakeholder groups do not align, the Company must decide on the best course to promote the Company's long-term success.

## Strategic Report (continued)

### Engaging with our stakeholders (section 172(1) statement) (continued)

#### Employees

As a service organisation, our employees are critical to our business. We ensure our people are engaged and empowered to deliver the best service for our customers and be happier themselves.

As part of the GLH Hotels Group Limited Group ("the Group"), the Company strives to ensure our employees maintain and embody the Group values. Our values encourage employees to:

- **Respect** our guests, our environment and each other,
- Have **integrity**, so are trusted to do what is right
- **Support** all colleagues to deliver the best results
- Take **ownership** of their goals and ambitions
- Work at **pace** and aim for 'right first time'
- Be a **team player** and work as part of an energetic and fun-loving team

See Employee matters section in the Directors' report for further information on how we engage with our employees.

#### Owners of managed hotels

The Company prioritises strong relationships with its managed hotel owners and continues to build on established relationships. These relationships work not just by fulfilling contractual performance obligations, but also include regular communications on strategy and working as partners towards shared objectives.

### Principal risks and uncertainties

Principal Risks	Mitigating Activities
<p><b>Brand reputation</b></p> <p>(i)The Company is reliant upon the reputation of the GLH Hotels Group ('the Group') brands. Any event that materially damages the reputation of one or more of the Group's brands and/or failure to sustain the appeal of the Group's brands to its customers may have an adverse impact on subsequent revenues from that brand or related operation</p> <p>(ii)The Group is also reliant upon the reputation of the Hard Rock International and Hard Rock Cafe ("Hard Rock") brands. Any event that materially damages the reputation of one or more of these brands and/or failure to sustain the appeal of these brands to its customers may have an adverse impact on subsequent revenues from that brand or related operation.</p>	<p>(i)Each of the brands in our portfolio is designed to meet specific guest needs. The consistency of our brands is managed through the brand standard requirements. We continually review ways to increase awareness and loyalty towards our brands.</p> <p>We are committed to conducting business in a responsible manner. We have put in place a set of internal policies and procedures, which are supported by training, monitoring and reporting.</p> <p>(ii)Hard Rock has stipulated brand standards to be applied by all of their operations worldwide to ensure that the brand image and consistency is maintained. We are required to comply with these standards also. With a portfolio of operations around the globe they are required to continually review ways to increase awareness and loyalty towards their brands and have mitigations processes in place should anything occur which may challenge a brand.</p> <p>We also have a legal ability to walk away from the hotel franchise agreement should an event occur which meets certain criteria and means that we would prefer to operate the hotel under a different brand. However this would be seen as a last resort and instead we rely on robust governance and management of the relationships with Hard Rock to ensure that their and our best interests are served.</p>

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

Principal Risks	Mitigating Activities
<p><b>Political or economic uncertainty</b></p> <p>The Company and the Group are exposed to the risk of adverse political or economic developments. In particular, on 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further clarity is known regarding the terms in which the UK will exit, there is overall uncertainty on the impact for the Group. However, in terms of impact on revenue and profitability, the UK's exit has potential to impact in three primary ways:</p> <p>1) Changes in the GBP exchange rate may result in overseas travel to the UK being more or less attractive. To date, given the weakening of GBP relative to other major worldwide currencies, this has had a positive impact.</p> <p>2) UK domestic travel (both in terms of the corporate and leisure markets) may be impacted by overall economic growth predictions, and overall confidence.</p> <p>3) Should it become more difficult to visit the UK if legislation were to restrict movement into the country there would be an obvious impact on overseas demand.</p> <p>In terms of the Group's cost base, the largest impact is on our workforce. Similar to nearly all other business concentrated in London hospitality, our current workforce contains a diverse mix of nationalities. Whilst the wider impact of the UK's exit from the EU remains far from certain, any legislation that restricts freedom of movement of labour is likely to adversely impact both the availability and cost of labour.</p> <p>A negative impact on the Group's revenue and profitability will also have a direct impact on the valuation of property, plant and equipment, recoverability of company's investment in subsidiaries and other areas that depend on forecasts.</p> <p>The potential impact of Brexit and a "hard Brexit" is considered by the Group's Risk Management Committee periodically. The key risks of Brexit have always been assessed to fall into the areas mentioned above. Whilst the Group had plans in place to mitigate against these risks, the impact of the pandemic on trade has meant that the risk in all areas has declined as business has been significantly reduced already, particularly reducing the risks to both supply chain and people requirements.</p> <p>The impact on the Company of the uncertainty around the current COVID-19 global pandemic has been detailed in the Going Concern disclosure (Note 1).</p>	<p>The Group operates a diverse range of brands, with hotels in the 3, 4 and 5 star markets. These brands have been designed to have international appeal, and the customer base is not concentrated in any specific geographical region. Although there may be a short period of hesitation with respect of tourism in the UK, we expect this not to have a significant impact on the Group's operations due to the reasons mentioned above.</p> <p>The Group retains a proactive focus on costs and in the event of a down-turn this enhanced competitiveness allows us to protect our margins.</p> <p>The Group's Procurement team has a specific Brexit risk mitigation plan in place. Contingency plans for the Group's supply chain include:</p> <ul style="list-style-type: none"> <li>- Joint business plans with key suppliers, to mitigate risks caused by currency fluctuations and potential changes in import procedures,</li> <li>- Implementation of risk management procedures including contingency planning;</li> <li>- Where there is a potential risk of increased costs in the supply chain due to a shortage of raw and/or manpower, price fixes/ price caps are being negotiated.</li> <li>- For high risk products, alternative suppliers and products are being identified and alternative menus developed for high risk products to ensure business continuity.</li> </ul> <p>The Group constantly reviews it's approach to being a compelling employer choice for UK nationals and overseas nationals alike. This includes focusing on creating a great place to work, career development opportunities, employee engagement as well as competitive compensation and benefits.</p>

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

Principal Risks	Mitigating Activities
<p><b>Events affecting international travel</b></p> <p>Given the international customer base, the Company and the Group are exposed to the risk of significant events impacting international travel (such as acts of terrorism and outbreaks of disease).</p> <p>In the current financial year, this has been seen through the global travel lockdowns imposed as a result of the COVID-19 pandemic. See full details of the impact of COVID-19 in the Going Concern disclosure (Note 1).</p>	<p>The Group retains a proactive focus on costs and in the event of a down-turn this enhanced competitiveness allows us to protect our margins.</p>
<p><b>Treasury risk</b></p> <p>The Company and the Group are exposed to treasury risks relating to interest rates on overdrafts, counterparty credit and management of cash, ensuring liabilities are met as they fall due.</p> <p>Cash management has been a heightened risk in the current year, as a result of the COVID-19 pandemic, and the reduced revenues and cash inflow as a result. See full details of the impact of COVID-19 in the Going Concern disclosure (Note 1).</p>	<p>The Group's Treasury function manages both the activities of all operating companies within the Group and the Group's borrowings. The Group's treasury activities, including the use of financial instruments, are overseen by GL Limited (Note 21).</p>



Gavin Taylor  
Director

17 December 2020

Co. registration no: SC046004

## Directors' Report

The directors present their Directors' Report and financial statements for the year ended 30 June 2020.

### Result and dividends

The results for the year ended 30 June 2020 are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 10. Loss after tax for the year was £3,361,000 (2019: £1,331,000 profit).

The directors have not proposed to pay a dividend in the current financial year (2019: £nil).

The directors who held office during the financial year were as follows:

Kah Meng Ho  
Alan Morgan (Appointed 9 August 2019)  
Neil Gallagher (Resigned 9 August 2019)  
Gavin Taylor (Appointed 7 December 2019)

The directors benefited from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

### Going concern

After making due enquiries, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, there are circumstances, as detailed on page 14, that represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The Company is a subsidiary of GLH IP Holdings Limited, which in turn is a subsidiary of GLH Hotels Group Limited, a company registered in Cayman Islands. Fellow group undertaking, GLH Hotels Limited, another indirect subsidiary of GLH Hotels Group Limited, operates a central treasury function to which the Company transfers its cash receipts and which settles all the Company's trading liabilities.

### Employee matters

The Company's policy of providing employees with information about the Company and the Group has continued and regular meetings are held between management and employees to allow exchanges of information and ideas.

The Company gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

### Charitable Donations and Political contributions

The Company made no charitable donations or incurred any political expenditure during the year (2019: £nil).

### Disclosure of information to auditor

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

## Directors' Report *(continued)*

### Auditor

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



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Gavin Taylor  
Director

17 December 2020

Co. registration no: SC046004



## **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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## **INDEPENDENT AUDITOR'S REPORT TO GLH HOTELS MANAGEMENT (UK) LIMITED**

### **Opinion**

We have audited the financial statements of GLH Hotels Management (UK) Limited ("the company") for the year ended 30 June 2020 which comprise the statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Materiality uncertainty related to going concern**

We draw attention to note 1 of the financial statements which indicates that the uncertainty over the future impact of COVID-19 and the company's ability to continue as going concern is dependent on the ability of GLH Hotels Limited Group to utilize the remaining uncommitted bank facilities available and the ability of the ultimate parent company GL Limited to provide additional funding. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty 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.

### **Strategic report and directors' report**

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

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

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

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

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

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

We have nothing to report in these respects.



## **INDEPENDENT AUDITOR'S REPORT TO GLH HOTELS MANAGEMENT (UK) LIMITED (CONTINUED)**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

**Chrissy Douka (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
Canary Wharf  
E14 5GL  
21 December 2020

**Statement of profit and loss and other comprehensive income  
for the year ended 30 June 2020**

	Note	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
<b>Revenue</b>		<b>18,671</b>	26,186
Depreciation	2	(1,404)	(1,599)
Loss on disposal		(4)	-
Brand licence fees	18	(2,388)	(3,720)
Property rent	2	(570)	(695)
Employee costs	3	(10,522)	(13,356)
Provisions made	10	(2,459)	-
Other costs		(5,550)	(5,733)
<b>(Loss)/profit before tax</b>		<b>(4,226)</b>	1,083
Taxation credit	4	865	248
<b>(Loss)/profit for the year</b>		<b>(3,361)</b>	1,331
<b>Total comprehensive income for the year</b>		<b>(3,361)</b>	1,331

The whole of the (loss)/profit for each of the years noted above derives from continuing operations.


The accompanying notes on pages 14 to 34 form an integral part of these financial statements.

## Statement of financial position At 30 June 2020

	Note	30 June 2020 £000's	30 June 2019 £000's
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	5	5,661	7,010
Deferred tax assets	11	2,148	1,150
<b>Total non-current assets</b>		<b>7,809</b>	<b>8,160</b>
<b>Current assets</b>			
Inventories	7	65	-
Trade and other receivables	8	2,957	4,607
<b>Total current assets</b>		<b>3,022</b>	<b>4,607</b>
<b>Total assets</b>		<b>10,831</b>	<b>12,767</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	13	150	150
Share premium	14	5,342	5,342
Accumulated losses	15	(4,716)	(1,355)
Employee compensation reserve	16	-	271
<b>Total equity</b>		<b>776</b>	<b>4,408</b>
<b>Current liabilities</b>			
Provisions	10	2,292	-
Trade and other payables	9	7,763	8,359
<b>Total current liabilities</b>		<b>10,055</b>	<b>8,359</b>
<b>Total liabilities</b>		<b>10,055</b>	<b>8,359</b>
<b>Total equity and liabilities</b>		<b>10,831</b>	<b>12,767</b>

The accompanying notes on pages 14 to 34 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 16 December 2020 and were signed on its behalf by:

  
\_\_\_\_\_  
Gavin Taylor  
Director

17 December 2020

Co. registration no: SC046004

**Statement of changes in equity  
for the year ended 30 June 2020**

	Share Capital	Share Premium	Accumulated Losses	Employee Compensation Reserve	Total
	£000's	£000's	£000's	£000's	£000's
<b>Balance at 30 June 2018</b>	<u>150</u>	<u>5,342</u>	<u>(2,686)</u>	<u>335</u>	<u>3,141</u>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	1,331	-	1,331
<b>Contributions by the owners</b>					
Share options lapsed	-	-	-	(121)	(121)
Employee share schemes – value of employee services	-	-	-	57	57
<b>Balance at 30 June 2019</b>	<u>150</u>	<u>5,342</u>	<u>(1,355)</u>	<u>271</u>	<u>4,408</u>
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	(3,361)	-	(3,361)
<b>Contributions by the owners</b>					
Share options lapsed	-	-	-	(271)	(271)
<b>Balance at 30 June 2020</b>	<u>150</u>	<u>5,342</u>	<u>(4,716)</u>	<u>-</u>	<u>776</u>

The accompanying notes on pages 14 to 34 form an integral part of these financial statements.

**Statement of cash flows**  
**for the year ended 30 June 2020**

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
<b>Cash flows from operating activities</b>		
(Loss)/profit for the financial year from continuing activities	(3,361)	1,331
Adjustments for:		
Taxation	(865)	(248)
Share option benefits	(271)	(64)
Depreciation	1,404	1,599
Loss on disposal	4	-
Changes in working capital:		
Increase in inventories	(65)	-
Decrease/(increase) in trade and other receivables	1,650	(2,086)
Increase in trade and other payables	1,049	2,432
Increase in provisions	2,292	-
<b>Net cash generated from operating activities</b>	<b>1,837</b>	<b>2,964</b>
Purchase of plant and equipment	(1,837)	(2,964)
<b>Net cash (used in) investing activities</b>	<b>(1,837)</b>	<b>(2,964)</b>
Net (decrease)/ increase in cash and cash equivalents	-	-
Cash and equivalent at the start of the year	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>-</b>

The accompanying notes on pages 14 to 34 form an integral part of these financial statements.

## Notes to the financial statements

### 1 – Accounting policies

#### ***Basis of preparation***

GLH Hotels Management (UK) Limited ("the Company") is a company incorporated and domiciled in the Scotland. The registered number is SC046004 and the registered address is c/o Womble Bond Dickson (UK) LLP, 2 Sempie Street, Edinburgh, EH3 8BL.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. These financial statements have been prepared and approved by the directors under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU ("Adopted IFRSs").

#### ***Going Concern***

Notwithstanding net current liabilities of £7.0m at 30 June 2020 and a loss after tax for the year then ended of £3.4m, the financial statements have been prepared on the going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have performed a going concern assessment for a period of 12 months from the date of approval of these financial statements. This assessment indicates that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. This assessment is also dependent on the Company's parent company, GLH IP Holdings Limited, not seeking repayment of the amounts currently due from the Company, which at 30 June 2020 amounted to £2.3m. GLH IP Holdings Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. At the date of approval of these financial statements, the Directors of the Company acknowledge while this support is not legally binding, they have no reason to believe that the parent entity will not continue to provide this financial support.

The principal activity of the Company is to act as a management company and receive a management fee from the sub-group headed by GLH Hotels Holdings Limited ("the trading group"). The Company having a trade is entirely dependent on the trading group continuing to trade, and therefore the trading group is relevant in the Directors' assessment of the use of the going concern basis of preparation. The company meets its day to day working capital requirements from cash resources and intercompany balances with trading group companies. Therefore the going concern assessment of the company is dependent on that of the Group as a whole.

The directors of the trading group have prepared cash flow and covenant compliance forecasts for the trading group for 12 months from the date of approval of these financial statements, including reasonably possible downside scenarios. As at 30 June 2020, the trading group was financed by a combination of an unsecured bank loan of £87.0m with an external lender, £55.3m of debentures and net cash of £21.3m. The trading group also has £52.0m of uncommitted, unsecured facility. At the date of approval of these financial statements, a further £25.0m of this facility had been utilised, leaving £27.0m uncommitted. The bank loan includes three financial covenants and a waiver has been obtained by the trading group directors from the external lender for all financial covenants for the 30 June 2021 testing.

The directors of the trading group have separately considered the uncertainty as to the future impact of COVID-19 on the cash flow forecasts. At the date of the approval of the financial statements, 6 hotels were open, and the remaining hotels within the Group remain temporarily closed as a result of COVID-19. In the specific severe but plausible downside scenario considered in relation to COVID-19, it has been assumed that the Group will generate no revenue, except for revenue from contractual management fee arrangements, for eight months after the balance sheet date of these financial statements, with business starting to return towards levels achieved pre-Covid-19 in the latter six months of 2021, variable costs will follow the same trend as revenue and fixed costs will continue to be incurred as normal. This forecast has only included government support that has been substantively enacted at the date of approval of these financial statements, such as the Coronavirus Job Retention Scheme, and mitigating actions, including the deferral of substantially all non-essential capital expenditure and future dividend payments. Capital expenditure considered essential in nature has been included in the forecast.

This specific downside cash flow forecast indicates that the trading group is expected, over the cash flow forecast period, to have a cash shortfall up to £27.0m, before consideration of its uncommitted facilities of £27.0m.



## Notes to the financial statements (*continued*)

### 1 – Accounting policies (*continued*)

#### ***Basis of preparation (continued)***

##### *Going Concern (continued)*

The trading group directors would intend to fund this shortfall using a combination of:

- the trading group's uncommitted bank facility of £52.0m, of which £27.0m was unutilised at the date of approval of these financial statements; and,
- through additional funding through the period from the trading group's intermediate parent, GL Limited. GL Limited has indicated its intention to continue to make available such funds are needed by the trading group through the forecast period. It is expected GL Limited would provide this support using available cash and/or uncommitted facilities available to it.

The trading group directors considered the specific downside scenario impact of COVID-19 on the trading group's cash flows and concluded that the availability of funding through its uncommitted facility and reliance on group support represents a material uncertainty that may cast significant doubt on the trading group's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The Directors of the Company have assessed the conclusions reached by the directors of the trading group and agree with their conclusions.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, given the reliance of Company on the trading group the directors consider the existence of a material uncertainty in the accounts of the trading group to represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### ***Changes in accounting policies***

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

##### i) Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing lease accounting guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company applied IFRS 16 with a date of initial application of 1 July 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019 and as a result the comparatives have not been restated and are reported under IAS17. The details of the changes in accounting policies are disclosed below.

##### *Definition of a lease*

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

## Notes to the financial statements *(continued)*

### 1 – Accounting policies *(continued)*

#### *Changes in accounting policies (continued)*

##### *As a lessee*

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company would recognise right-of-use assets and lease liabilities for leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment. For leases of other assets, which were classified as operating under IAS 17, the Company recognised right-of-use assets and lease liabilities.

##### *a) Leases classified as operating leases under IAS 17*

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Applied the exemption to not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment). The threshold set for this was £4,000.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

##### *b) Leases previously classified as finance leases*

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Right-of-use assets are depreciated on a straight-line basis over the remaining term of the underlying lease.

##### *As a lessor*

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company was not a lessor in a finance lease arrangement as at the transition date.

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company did not have any sub-leases in place.

#### *Impacts on financial statements*

There was no impact for the Company on transition to IFRS 16.

## Notes to the financial statements (continued)

### 1 – Accounting policies (continued)

#### **Future changes to accounting standards**

There are a number of standards and interpretations issued by the IASB that are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

#### *International Financial Reporting Standards*

- *Amendments to References to Conceptual Framework in IFRS Standards.* The amendments are effective for annual period beginning on or after 1 January 2020.
- *Definition of a Business (Amendments to IFRS 3).* Effective for reporting periods beginning on or after 1 January 2020.
- *Definition of Material (Amendments to IAS 1 and IAS 8).* Effective for reporting periods beginning on or after 1 January 2020.
- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.* Effective date to be confirmed.

#### **Property, plant and equipment**

All property, plant and equipment is stated at cost or deemed cost less depreciation and any necessary provision for accumulated impairment.

Depreciation is provided in equal instalments to write off property, plant and equipment to their estimated residual value over their expected useful economic lives on a straight-line basis. The principal expected useful economic lives are:

Freehold Land	Not depreciated
Core elements of freehold buildings	Up to 100 years
Integral plant and non-core elements of buildings	15 to 30 years
Plant and equipment & fit out cost	3 to 15 years

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

Repairs and maintenance costs are expensed as incurred.

#### **Leased assets**

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### **Classification of financial instruments**

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

## Notes to the financial statements (*continued*)

### 1 – Accounting policies (*continued*)

#### **Classification of non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### Interest - bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### Cash and cash equivalents

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

#### **Impairment excluding inventories, and deferred tax assets**

#### Financial assets (including receivables)

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under IFRS 9 does not affect the carrying amount of financial assets at 1 July 2019. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Company has determined that the application of IFRS 9's impairment requirements at 1 July 2019 results in no additional allowance for impairment.

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

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

#### Non-Financial Assets

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

## Notes to the financial statements (*continued*)

### 1 – Accounting policies (*continued*)

#### *Impairment excluding inventories, and deferred tax assets (continued)*

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

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

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

#### **Provisions**

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **Revenue**

Revenue comprises income from the management and operation of hotels, excluding VAT, and is recognised as the related services are provided. All revenue is generated in the UK.

#### **Taxation**

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

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

## Notes to the financial statements (*continued*)

### 1 – Accounting policies (*continued*)

#### ***Taxation (continued)***

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

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

#### ***Financing income and costs***

Financing costs comprise interest payable, finance costs on shares classified as liabilities and finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

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

#### ***Foreign currency***

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to sterling at foreign exchange rates ruling at the dates the fair value was determined.

#### ***Defined benefit pension schemes***

Costs in respect of defined benefit pension schemes operated by GLH Hotels Limited are treated by the Company as if they relate to defined contribution schemes. The information available regarding the assets and liabilities of the schemes is not sufficient to allow the Company to account for the schemes as defined benefit schemes in its financial statements.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is GLH Hotels Limited.

#### ***Defined contribution plans***

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

#### ***Share based payments***

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

## Notes to the financial statements (continued)

### 1 – Accounting policies (continued)

#### Share based payments (continued)

Where the Company's parent grants rights to its equity instruments to the company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled.

#### Government grants

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

The Company has adopted to deduct income related government grants from the relevant expense in the statement of profit and loss and other comprehensive income.

#### Inventories

Inventories comprise consumables for use by the Company and are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

Cost is based on the first-in first-out principle that includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

### 2 - Expenses and Auditor's Remuneration

(Loss)/Profit before tax is stated after charging the following:

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Depreciation and other amounts written off fixed assets	1,404	1,599
Equipment rentals payable under operating leases	199	138
Property rentals payable under operating leases	-	695
Brand licence fees	2,388	3,720
Amounts paid to the Company's auditor	11	6

### 3 - Employee, Directors and Key Management information

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
Employee costs during the period:		
Agency wages	1,527	1,993
Employee wages and salaries	8,112	9,961
Government grant	(551)	-
Employer's social security costs	1,022	993
Employer's pension costs	412	409
	<u>10,522</u>	<u>13,356</u>
	No.	No.
Average monthly staff employed		
Management, administration and support staff	121	130
Directors	2	2
	<u>123</u>	<u>132</u>

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

The expenses for Employer's pension costs include defined benefit and defined contribution schemes.

## Notes to the financial statements *(continued)*

### 3 - Employee, Directors and Key Management information *(continued)*

Director's emoluments were as follows:

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
<b>Aggregate Emoluments</b>		
Salary	636	585
Pension	62	70
Other benefits	60	296
	<u>758</u>	<u>951</u>
Highest paid director		
Salary	366	414
Pension	33	53
Other benefits	39	213
	<u>438</u>	<u>680</u>

The remuneration of the directors for their services to the Group are contained in this Company. The directors are remunerated for their services to the Group as a whole. The directors do not consider it material to apportion remuneration based on the services performed for individual undertakings within GL Limited, a company continued in Bermuda.

### 4 - Taxation

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
<i>Recognised in the Income Statement</i>		
<b>Current taxation</b>		
Current taxation credit	-	(139)
Adjustments in respect of previous years	133	-
Total current tax expense/(credit)	<u>133</u>	<u>(139)</u>
<b>Deferred taxation</b>		
Deferred taxation (credit)/expense	(852)	218
Effects of changes in tax rates	(136)	(23)
Adjustments in respect of previous years	(10)	(304)
Total deferred tax credit	<u>(998)</u>	<u>(109)</u>
<b>Total tax credit</b>	<u>(865)</u>	<u>(248)</u>



## Notes to the financial statements *(continued)*

### 4 – Taxation *(continued)*

	Year ended 30 June 2020		Year ended 30 June 2019	
	%	£000's	%	£000's
(Loss)/profit before tax for the year	100.0	(4,226)	100.0	1,083
Expected tax (credit)/charge at 19% (2019:19%)	19.0	(803)	19.0	206
Items not subject to tax or deductible for tax purposes	(2.2)	93	(11.7)	(127)
Amounts not recognised	3.4	(142)	-	-
Reduction in tax rate on deferred tax balances	3.2	(136)	(2.1)	(23)
Adjustments in respect of previous years	(2.9)	123	(28.1)	(304)
Actual tax credit	20.5	(865)	(22.9)	(248)

On 17 March 2020 a change to the future corporation tax rate was substantively enacted. The corporation tax rate remains at 19% for the tax years starting on 1 April 2020 and 1 April 2021. This replaced the previously enacted reduction to 17% (effective from 1 April 2020) on 6 September 2016.

## Notes to the financial statements (*continued*)

### 5 - Plant and equipment

#### *As at 30 June 2020*

	Fit out costs, plant and equipment £000's	Total £000's
<b>Cost</b>		
At the beginning of the year	45,550	45,550
Additions	1,837	1,837
Transfers	(1,778)	(1,778)
Disposal	(4)	(4)
At the end of the year	<u>45,605</u>	<u>45,605</u>
<b>Depreciation</b>		
At the beginning of the year	38,540	38,540
Charge for the year	1,404	1,404
At the end of the year	<u>39,944</u>	<u>39,944</u>
<b>Net book value</b>		
As at 30 June 2020	<u>5,661</u>	<u>5,661</u>

#### *As at 30 June 2019*

	Fit out costs, plant and equipment £000's	Total £000's
<b>Cost</b>		
At the beginning of the year	42,586	42,586
Additions	2,964	2,964
At the end of the year	<u>45,550</u>	<u>45,550</u>
<b>Depreciation</b>		
At the beginning of the year	36,941	36,941
Charge for the year	1,599	1,599
At the end of the year	<u>38,540</u>	<u>38,540</u>
<b>Net book value</b>		
As at 30 June 2019	<u>7,010</u>	<u>7,010</u>

Assets transferred to related parties during the year were transferred at net book value resulting in no gain or loss on transfer. Details of the amounts transferred to each related party are in note 18.

## Notes to the financial statements (continued)

### 6 – Leases (Company as lessee)

#### Amounts recognised in Profit and Loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

<i>Leases under IFRS 16</i>	<b>Year ended 30 June 2020 £000's</b>
Expenses relating to low-value assets, excluding short term leases of low-value assets	(8)
	<hr/>
<i>Leases under IAS 17</i>	<b>Year ended 30 June 2019 £000's</b>
Lease expense	(833)
	<hr/>

The Company leases various IT equipment and office machinery, with lease terms ranging between one and five years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

### 7 - Inventories

#### As at 30 June 2020

	<b>Consumables Inventory £000's</b>	<b>Total £000's</b>
Cost		
At the beginning of the year	-	-
Purchases	65	65
At the end of the year	<hr/> 65 <hr/>	<hr/> 65 <hr/>

All inventories held are expected to be utilised within 12 months.

### 8 - Trade and other receivables

<b>Current Assets</b>	<b>Year ended 30 June 2020 £000's</b>	<b>Year ended 30 June 2019 £000's</b>
Amounts owed by related parties	-	2,912
Other receivables	59	-
Other taxation and social security	909	1,458
Prepayments and accrued income	160	237
Grant receivable	1,829	-
	<hr/> 2,957 <hr/>	<hr/> 4,607 <hr/>

All trade and other receivables are expected to be recovered in less than 12 months.

## Notes to the financial statements (continued)

### 9 - Trade and other payables

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
<b>Current liabilities</b>		
Trade payables	1,504	1,987
Other payables	1,990	3,123
Amounts owed to immediate parent company	2,262	3,249
Amounts owed to related parties	1,972	-
Amounts owed to intermediate parent company	35	-
	<u>7,763</u>	<u>8,359</u>

### 10 – Provisions

<b>As at 30 June 2020</b>	Restructuring £000's	Other £000's	Total £000's
Balance as at 1 July 2019	-	-	-
Provisions made during the year	2,239	220	2,459
Provisions utilised in the year	(167)	-	(167)
Balance as at 30 June 2020	<u>2,072</u>	<u>220</u>	<u>2,292</u>

#### Provision for restructuring

On 24 April 2020, the Group announced its intention to implement a cost-reduction programme and to take measures to reduce costs. In order to adapt to current market conditions, the Group planned to move to a reduced and more flexible workforce by the third quarter of 2020. A restructuring provision of £2,072,000 has been recognised at the end of the financial year to cater the above restructuring programme. Amounts provided relate only to the direct costs arising from the restructuring.

### 11 – Deferred assets

The movements in deferred tax assets were as follows:

<b>As at 30 June 2020</b>	<b>30 June 2018 £000's</b>	<b>Recognised in statement of comprehensive income £000's</b>	<b>30 June 2019 £000's</b>	<b>Recognised in statement of comprehensive income £000's</b>	<b>30 June 2020 £000's</b>
<b>Asset</b>					
Trading Losses	1,041	109	1,150	(151)	999
Fixed assets	-	-	-	1,149	1,149
	<u>1,041</u>	<u>109</u>	<u>1,150</u>	<u>998</u>	<u>2,148</u>

Deferred tax assets and liabilities are offset when there is a right to set off current tax assets and liabilities which relate to the same taxation jurisdiction.

The Company has recognised deferred tax assets for deductible temporary differences and unused tax losses of £5,260,000, that it believes are recoverable. The recoverability of recognised deferred tax assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilise deductible temporary differences and tax losses.

## Notes to the financial statements (continued)

### 11 – Deferred assets (continued)

As at 30 June 2020, the Company has temporary differences of £82,000 (2019: £120,000) (unprovided deferred tax asset in respect of differences in relation to share option charges) on which no deferred tax asset is recognised.

### 12 - Financial instruments

#### a) Financial risk management policies and objectives

Exposure to liquidity, credit, interest rate and currency risk arises in the normal course of the Company's business. The Company manages financial risk within its general risk management philosophy and framework.

#### b) Liquidity risk

Liquidity is managed on a daily basis by the treasury and finance departments of the Group. They are responsible for ensuring that the Company has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Group manages liquidity risk on behalf of the Company by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

The Group is financed by a combination of an unsecured bank loan with an external lender, unsecured RCF with an external lender, debentures and cash. The Group also has access to an uncommitted, unsecured facility which is used as and when required to fund the Group's cash needs, including those of the Company.

The following table details the remaining contractual maturities at the balance sheet date of the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Company can be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
As at 30 June 2020	£000's	£000's	£000's	£000's	£000's	£000's
<b>Non-derivative financial liabilities</b>						
Trade Payables	1,504	1,504	1,504	-	-	-
Other Payables	1,990	1,990	1,990			
	<u>3,494</u>	<u>3,494</u>	<u>3,494</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at 30 June 2019</b>						
<b>Non-derivative financial liabilities</b>						
Trade Payables	1,987	1,987	1,987	-	-	-
Other Payables	3,123	3,123	3,123	-	-	-
	<u>5,110</u>	<u>5,110</u>	<u>5,110</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements (*continued*)

### 12 - Financial instruments (*continued*)

#### **c) Credit risk**

The Company's credit risks are primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Company's bank deposits are managed by the Group and are only deposited in, and debt securities are only purchased from, counterparties who have high credit quality. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. The Group has limits for exposures to individual counterparty and country to manage concentration risk.

The hotel business has its own credit policy to allow credit period of up to 60 days for its customers. The Company has no significant concentrations of credit risks and does not obtain any collateral from customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet after deducting any impairment allowance.

#### **d) Interest rate risk**

The Company's debt comprises intra-group balances. Interest is charged on these on an annual basis in accordance with Group policies.

#### **e) Currency risk**

The Company's net monetary assets and liabilities are denominated in sterling and therefore are not subject to currency risk.

#### **f) Financial assets**

The Company's financial assets as at 30 June 2020 comprised of cash balances of £nil (2019: £nil), and trade and other receivables of £2,957,000 (2019: £4,607,000).

There was no difference between the carrying value and the fair value of financial assets at 30 June 2020 (2019: no difference).

#### **g) Capital management**

The Company defines the capital that it manages as the Company's total equity and net debt balances.

The Company's objectives are to safeguard its ability to continue as a going concern providing returns to shareholders, through the optimization of the debt and equity balances, and to maintain a strong credit rating and headroom. The Company manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Company.

#### **h) Fair value of financial instruments**

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

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

## Notes to the financial statements (*continued*)

### 12 - Financial instruments (*continued*)

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

As at 30 June 2020	Carrying amount	Fair value	Level 1	Level 2	Level 3
	£000's	£000's	£000's	£000's	£000's
<b><i>Loans and receivables</i></b>					
Other receivables (note 8)	59	59	-	59	-
<b>Total Financial Assets</b>	<b>59</b>	<b>59</b>	<b>-</b>	<b>59</b>	<b>-</b>
<b><i>Financial liabilities held for trading</i></b>					
Trade Payables (note 9)	(1,504)	(1,504)	-	(1,504)	-
Other Payables (note 9)	(1,990)	(1,990)	-	(1,990)	-
<b>Total Financial Liabilities</b>	<b>(3,494)</b>	<b>(3,494)</b>	<b>-</b>	<b>(3,494)</b>	<b>-</b>
<b>Total Financial Instruments</b>	<b>(3,435)</b>	<b>(3,435)</b>	<b>-</b>	<b>(3,435)</b>	<b>-</b>
<b>As at 30 June 2019</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	£000's	£000's	£000's	£000's	£000's
<b><i>Loans and receivables</i></b>					
Other Receivables (note 8)	-	-	-	-	-
<b>Total Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><i>Financial liabilities held for trading</i></b>					
Trade Payables (note 9)	(1,987)	(1,987)	-	(1,987)	-
Other Payables (note 9)	(3,123)	(3,123)	-	(3,123)	-
<b>Total financial liabilities</b>	<b>(5,110)</b>	<b>(5,110)</b>	<b>-</b>	<b>(5,110)</b>	<b>-</b>
<b>Total financial instruments</b>	<b>(5,110)</b>	<b>(5,110)</b>	<b>-</b>	<b>(5,110)</b>	<b>-</b>

## Notes to the financial statements (continued)

### 13 – Share capital

	Number of shares		Nominal Value	
	30 June 2020 No	30 June 2019 No	30 June 2020 £000's	30 June 2019 £000's
Issued and fully paid:				
<b>At the beginning and end of the year</b>	<b>150,001</b>	<b>150,001</b>	<b>150</b>	<b>150</b>

### 14 – Share premium

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.

### 15 – Accumulated losses

The accumulated losses reserve comprises the cumulative net gains and losses recognised earnings in the income statement.

### 16 – Employee compensation reserve

The share based payment reserve is used to recognise the value of equity-settled share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 17 for further details of these plans.

### 17 – Share-based payment

During the year, the Group has run the GL Limited Executives' Share Option Scheme 2008 ("ESOS 2008"). The scheme relates to shares in GL Limited (GL Group), and the valuation of the benefit is calculated in Singapore dollars, which have been translated at S\$1 = £0.58.

The ESOS 2008 was approved by the shareholders of GL Group on 17 October 2008 and by the shareholders of Guoco Group Limited on 21 November 2008 ("ESOS Effective Date"). The ESOS 2008 allows the grant of options over newly issued and/or existing shares of GL Group to eligible confirmed employees of GL Group (including executive Directors) who are at least twenty-one (21) years old and who are not undischarged bankrupts.

The ESOS 2008 provides an opportunity for the employees of GL Group who have contributed to the growth and development of GL Group to participate in the equity of GL Group

GL Group's Remuneration Committee ("RC") comprising Mr Philip Brough, Mr Kwek Leng Hai and Ms Jennie Chua (all of whom are not participants for ESOS 2008) administer the ESOS 2008.

The number of shares over which the RC may grant share options under the ESOS 2008 on any date shall not in aggregate exceed 15% of the issued share capital of GL Group on the day preceding that date, provided that the maximum aggregate number of new shares over which the RC may grant options, when added to the number of new shares issued and issuable in respect of all options granted under the ESOS 2008, shall not exceed 10% of the issued share capital of GL Group as at the ESOS Effective Date.

The maximum entitlement of any participant in respect of the total number of new shares issued and to be issued upon the exercise of options granted in any 12-month period shall not exceed 1% of the share capital of GL Group in issue as at any date of grant. The grant of an option to a participant shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S\$1 as consideration.



## Notes to the financial statements (continued)

### 17 – Share-based payment (continued)

During the financial year ended 30 June 2020, no options were granted pursuant to ESOS 2008 (2019: no options). As at 30 June 2020, the total number of GL shares comprised in the options granted under the ESOS 2008 was nil (2019: 10,500,000).

Details of the movement in the options granted under ESOS 2008 during the financial year are as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
Outstanding at the beginning of the financial year	10,500,000	34,500,000
Options granted during the financial year	-	-
Options cancelled/lapsed during the financial year	(10,500,000)	(24,000,000)
Outstanding at the end of the financial year	-	10,500,000

The fair value of the services received in return of share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured on a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected volatility, dividend yield and risk-free rate are based on 5-year historical trends.

Date of grant of options	3 April 2018	21 Sept 2015	13 May 2013
Fair value of share options and assumptions			
Fair value at measurement date (\$\$)	0.10 – 0.12	0.09 – 0.17	0.17 – 0.227
Share price at the date of grant (\$\$)	0.78	0.795	0.83
Exercise price (\$\$)	0.74	0.8	0.86
Expected volatility (%)	21.4	30.1	34.1
Expected option life (year)	2.2 – 4.2	1.3 – 6.3	3.6 – 8.6
Expected dividend yield (%)	2.73	2.75	2.41
Risk-free interest rate (%)	1.72	0.98	1.05

For options granted on 13 May 2013 and 21 September 2015, the exercise price is equal to the 5-day weighted average market price of the shares immediately prior to the respective date of grant for which there was trading in the shares.

For options granted on 3 April 2018, the exercise price is equal to the 5-day weighted average market price of the shares immediately prior to the respective date of grant for which there was trading in the shares, discounted by 5.7%.

The options granted on 13 May 2013 and 21 September 2015 under ESOS 2008 had expired/lapsed as at 30 June 2019.

The options granted on 13 May 2013 and 21 September 2015 and 13 May 2013 under ESOS 2008 are valid from 13 May 2013 and 21 September 2015 respectively, and will vest in two tranches:

- The first tranche of up to 20% - 35% will vest at the end of the financial year ending 30 June 2016 upon the achievement of the applicable performance targets; and
- The second tranche of up to 65% - 80% will vest within three months of the financial year ending 30 June 2019 upon the achievement of the applicable performance targets.

## Notes to the financial statements (*continued*)

### 17 – Share-based payment (*continued*)

Each tranche, once vested, is exercisable as follows:

- 40% of that tranche is exercisable within 6 months from vesting date;
- 40% of that tranche is exercisable from the commencement of the 13th month to the end of the 18th month from vesting date; and
- 20% of that tranche is exercisable from the commencement of the 25th month to the end of the 30th month from vesting date.

The options granted on 3 April 2018 are valid from 3 April 2018 and will vest upon the Board's decision.

Once vested, the option is exercisable as follows:

- 40% of that tranche is exercisable within 2 months from vesting date;
- 40% of that tranche is exercisable within 2 months from the 1st anniversary of the vesting date; and
- 20% of that tranche is exercisable within 2 months from the 2nd anniversary of the vesting date.

ESOS 2008 expired on 20 November 2018.

### 18 - Related party transactions

A related party, GLH Hotels Limited, operates a central treasury function to which the Company transfers its cash receipts and which settles all the Company's trading liabilities. Due to the operations of the intercompany balances within the group, these balances are netted off, therefore are all shown on a net basis. The net movements from these transactions are accumulated in the amounts owed by / to related parties shown in Note 8 and 9.

In addition, the Company entered into the following aggregate transactions with GLH Hotels Group Limited and its subsidiaries:

	Year ended 30 June 2020	Year ended 30 June 2019
	£000's	£000's
<b>Transactions with GLH Hotels Limited</b>		
Income from Management Contracts	18,258	25,631
Brand development expenses recharged by the Company	215	401
Operating expenses recharged to the company	(8,995)	(11,335)
	<hr/>	<hr/>
<b>Transactions with GLH IP Holdings Limited</b>		
Brand licence	2,388	3,720
	<hr/>	<hr/>

## Notes to the financial statements *(continued)*

### 18 - Related party transactions *(continued)*

In the current financial year, fit out costs, plant and equipment, with a net book value of £1,778,000 (2019: £nil) were transferred from the Company at net book value to the following related party undertakings:

Entity	NBV Transferred 30 June 2020
	£000's
The Tower Hotel (London) Limited	493
Marble Arch Hotel (London) Limited	216
The Charing Cross Hotel Limited	150
The Royal Horseguards Hotel Limited	216
The Grosvenor Hotel Victoria Limited	3
Kensington Gardens Hotel (London) Limited	96
Heathrow Hotel (London) Limited	152
Trafalgar Hotel (London) Limited	70
Hyde Park Hotel (London) Limited	48
Barbican Hotel (London) Limited	253
Bloomsbury Hotel (London) Limited	66
Piccadilly Hotel (London) Limited	12
The Cumberland Hotel (London) Limited	3
Total	<u>1,778</u>

### 19 – Financial commitments

	Year ended 30 June 2020 £000's	Year ended 30 June 2019 £000's
<i>Capital Commitments</i>		
Contracted for but not provided in the accounts	<u>323</u>	<u>468</u>

## Notes to the financial statements (*continued*)

### 20 - Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Whilst some outcomes have been affected by the volatility in the financial markets, all judgements and assumptions in the accounting policies remain consistent with previous years.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

#### *Estimates*

- Deferred tax assets – deferred tax assets are recognised on the basis that the Company expects to make profits in the future. The recognition of the assets is therefore an estimation, which is based on the Company's forecast future results.

#### *Judgement*

- Property, plant and equipment - Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the accounting policies for Fit out costs, plant and equipment. The selection of these residual values and estimated lives requires the exercise of judgement.

### 21 - Parent and ultimate parent undertakings and controlling parties

The immediate parent undertaking is GLH IP Holdings Limited, a company registered in England. The registered office is 110 Central Street, London, EC1V 8AJ England. Copies of the financial statements of GLH IP Holdings Limited are available from Companies House, Cardiff.

GL IP Holdings Limited is a wholly owned subsidiary of GL Limited, a company continued in Bermuda and listed on the Singapore Stock Exchange. The registered office address is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

GL Limited is both controlled and its financial results consolidated by Guoco Group Limited, a company registered in Hong Kong and listed on the Hong Kong Stock Exchange. Copies of the accounts of Guoco Group Limited are available from its website [www.guoco.com](http://www.guoco.com). The directors of Guoco Group Limited consider its ultimate controlling party to be Hong Leong Company (Malaysia) Berhad, a private company registered in Malaysia. The financial statements of Hong Leong Company (Malaysia) Berhad are not available to the public.