The Malmaison Hotel (Birmingham) Limited

Annual report and financial statements

Registered number 03767885

30 September 2019

Contents

Strategic report

The directors present the strategic report and financial statements for the year ended 30 September 2019.

Review of the business

The Company acted as a "pass-through" for rent payable to third parties and charged on to fellow trading subsidiaries. No services were performed outside of this during the year.

Risk management

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

Market Risk – Loss of market share through competitor activity

Mitigation control are in place to outperform the competition and are developed both at a strategic brand level and a tactical local level, Market information is available to establish position and to enable actions through pricing decisions and sales activities to maintain market position.

Health & Safety Risk – Serious injury because of Company negligence

The Group engages a third-party health and safety audit company which is independent of the group to carry out regular health and safety site audits to ensure adherence with all current policies and procedures.

Financial Risk – Impact of economic factors that affect our customers or our costs

Mitigation controls to financial risks because of the broader general economic factors and their impact are managed through our ability to be flexible with our customer base and react swiftly to change in our cost base.

Brexit Risk

The Group has considered the impact of Brexit and whether it represents a change to principal risks in of itself or indirectly by manifesting itself within other risks such as increased foreign exchange risk.

The Directors have undertaken a review of the potential impacts and identified that the most significant impact that Brexit will have on the Group relate to the Government immigration policy on so-called "low-skilled" labour post-Brexit. The Group is fully cognisant of the reliance it has on such workers being granted rights to work in the UK and such labour policy would inhibit its ability to recruit from outside the UK after Brexit. In order to mitigate the risk of labour shortages, the Group is working on increasing efficiency, productivity and synergies in deploying workforce within the Group.

Aside, the Group has contacted key suppliers with significant trade of raw materials imported from the EU and have been given copies of detailed plans that can be implemented to counteract any disruption in the supply chain that may occur as a consequence of Brexit. The Group considers that while its future performance may be affected by Brexit, it will be through its manifestation in the principal risks already mitigated by the controls it has in place.

Strategic report *(continued)*

Covid – 19

The directors acknowledge that the outbreak of the Covid-19 virus is expected to have a significant impact on the Malmaison and Hotel du Vin Group of companies' performance. Following UK government guidance, all 35 of the Group's hotels were closed in March 2020. The hotels remained closed until early July, when the government guidance permitted re-opening, with all of the Group's hotels to have re-opened by the end of July 2020.
The properties are re-opening in line with government guidelines which currently restricts the Group's ability to operate at full capacity. The full impact of the pandemic on the performance of the business will depend on the duration and severity of the government measures, including any future lockdown, the state of mind of the public in general and the state of the overall economy as a result, most pertinently how it impacts leisure and business customers' demand for our the range of services provided in the hotels.
The directors continue to monitor the situation closely and have implemented measures to minimise the impact of this risk but remain confident in the long-term fundamentals of the market the Group operates in and do not believe that the outbreak will impact the viability of the business.

Position at year-end

As a consequence of the Group restructuring that took place in June 2014, the Company holds no significant assets and has no liabilities and will remain in this state for the foreseeable future.

On behalf of the board

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G Bakker

Director

Dated: 29 July 2020

Directors' report

The directors present their annual report and financial statements for the year ended 30 September 2019.

Results and dividends

The results for the period are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

G Bakker	
P Choe	(resigned 14 May 2019)
V Foo	(appointed 15 May 2019)

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: nil).

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

On behalf of the board

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G Bakker

Director

Dated: 29 July 2020

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 year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the members of The Malmaison Hotel (Birmingham) Limited

Opinion

We have audited the financial statements of The Malmaison Hotel (Birmingham) Limited ("the company") for the year ended 30 September 2019 which comprise the profit and loss account, the balance sheet, the statement of changes in equity 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 September 2019 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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.

Going concern

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

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

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

Strategic report and directors' report

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

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:

KPMG

Independent auditor's report to the members of The Malmaison Hotel (Birmingham) Limited *(continued)*

- 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.

Directors' responsibilities

As explained more fully in their 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; 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Mark Flanagan *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP
Chartered Accountants
Statutory Auditor
31 Park Row
Nottingham
England
NG1 6FQ

Dated: 29 July 2020

Profit and loss account
for the year ended 30 September 2019

	Note	2019 £	2018 £
Administrative expenses	7	**(2,067,945)**	(2,067,945)
Other operating income		**2,067,945**	2,067,945
Operating result		**-**	-
Tax on result		**-**	-
Result for the financial period		**-**	-

All activity derives from continuing operations.

The Company has no recognised gains and losses other than those above and therefore no separate statement of other comprehensive income has been presented.

Balance sheet as at 30 September 2019

	Note	2019 £	2018 £
Current assets			
Debtors	5	2	2
Total assets less current liabilities		2	2
Net assets		2	2
Capital and reserves			
Called up share capital	6	2	2
Retained earnings		-	-
Total equity		2	2

The financial statements were approved by the Board of directors and authorised for issue on 29 July 2020

Signed on its behalf by:

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G Bakker

Director

Company Registration No. 03767885

Statement of changes in equity

	Share capital £	Retained earnings £	Total £
Balance at 1 October 2017	2	-	2
Profit and total comprehensive income for the period	-	-	-
Balance at 30 September 2018	**2**	**-**	**2**

	Share capital £	Retained earnings £	Total £
Balance at 1 October 2018	2	-	2
Profit and total comprehensive income for the period	-	-	-
Balance at 30 September 2019	**2**	**-**	**2**

Notes
(forming part of the financial statements)

1 Accounting policies

Company information

The Malmaison Hotel (Birmingham) Limited is a company limited by shares incorporated in England and Wales. The registered number is 03767885 and the registered office is 3rd Floor, 95 Cromwell Road, London, SW7 4DL.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Frasers Hospitality UK Holdings Limited which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Frasers Hospitality UK Holdings Limited, which indirectly owns 100% of the issued share capital of the Company. The group accounts of Frasers Hospitality UK Holdings Limited are available to the public and can be obtained from 3rd Floor, 95 Cromwell Road, London, SW7 4DL.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company leases a property which is in turn leased to a related party, Malmaison Trading Limited, who operates the property as a hotel.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through receipt of lease income from Malmaison Trading Limited which in turn is reliant on funding from its intermediate parent company, Frasers Property Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Frasers Property Limited providing additional financial support during that period. Frasers Property Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

1.3 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Financial assets *(continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Leases

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

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

1.8 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

i) IFRS16 replaces existing lease accounting guidance. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied. IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
The Company plans to adopt the standard from the financial year beginning on 1 October 2019 and expects to apply the standard using the modified retrospective approach. The Company is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application of 1 October 2019. Accordingly, existing lease contracts that are still effective on 1 October 2019 continue to be accounted for as lease contracts under IFRS 16. The approximate financial impact of the standard is still unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases, including renewal options and exemptions for short-term leases. The Company will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

(i) The Company as Lessee
The Company expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under IFRS 16. Such operating lease commitments amount to approximately £59,853,000 as at 1 October 2019 on an undiscounted basis. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using an appropriate discount rate. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge of the ROU assets and interest expense on the lease liabilities.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Adopted IFRS not yet applied *(continued)*

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

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Given the nature of the company's activities, the Directors believe that currently there are no accounting estimates or judgements.

3 Auditor's remuneration

Audit fees are borne by other group companies.

4 Directors' remuneration

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

5 Debtors

	2019	2018
	£	£
Amount due from parent undertaking	**2**	2

6 Share capital

	2019	2018
	£	£
Issued and fully paid		
2 ordinary shares of £1 each	**2**	2

Notes *(continued)*

7 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019 £	2018 £
Minimum lease payments under operating leases	**2,067,945**	2,067,945

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

	2019 £	2018 £
Within one year	**1,663,629**	1,663,629
Between two and five years	**7,173,971**	7,000,819
In over five years	**51,015,585**	52,852,366
	59,853,185	61,516,814

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2019 £	2018 £
Within one year	**1,663,629**	1,663,629
Between two and five years	**7,173,971**	7,000,819
In over five years	**51,015,585**	52,852,366
	59,853,185	61,516,814

8 Post balance sheet events

Subsequent to the year end, the impact of Covid-19 on the Malmaison and Hotel du Vin Group of companies has been significant. All hotel locations were initially closed in March 2020 following UK government guidance, but all properties will have re-opened by the end of July 2020. The consequence of Covid-19 is considered a non-adjusting balance sheet event given the impacts were not known as at the balance sheet date therefore no adjustments have been made to the financial statements.

9 Ultimate parent company and parent company of larger group

The ultimate parent company is TCC Assets Limited, a company incorporated in Thailand. The smallest group in which the Company is consolidated is that headed by Frasers Hospitality UK Holdings Limited, registered 3rd floor, 95 Cromwell Road, London SW7 4DL.