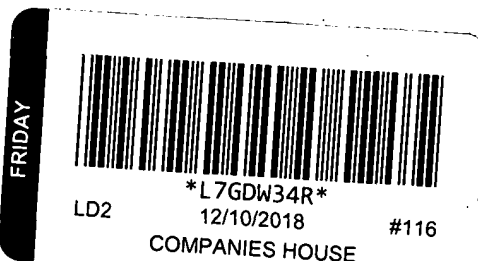


Company Registration No. 06088359

Seminole Hard Rock UK Limited

Annual report for the 53 week period ended

31 December 2017



Seminole Hard Rock UK Limited

Report and financial statements 2017

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Seminole Hard Rock UK Limited

Officers and professional advisers

Directors

Mr Brian Alexander (appointed 27th April 2018)
Mr David Stuart Pellow

Company Secretary

Olswang CoSec Limited
London

Registered Office

Cannon Place
78 Cannon Street
London, United Kingdom
England
EC4N 6AF

Bankers

The Royal Bank of Scotland plc
36 St. Andrew Square
Edinburgh, United Kingdom
EH2 2YB

Solicitors

Olswang LLP
London

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Seminole Hard Rock UK Limited

Strategic report

Principal activities

Seminole Hard Rock UK Limited is a company incorporated in the United Kingdom.

The principal activity of the company throughout the year was to act as a holding company and European head office. The directors do not envisage any change in activity during the forthcoming year.

Business review

The results for the company show a profit after tax of £18.8 million (2016: £5.1 million). The primary driver of the increase in profit as compared to the previous year is due to a significant loss from an impairment charge of £14.9 million recorded in 2016 compared to £2.6 million net credit recorded in 2017.

The company utilized an independent valuation specialist in assessing the recoverable values of our investments in scope which resulted in an impairment charge of £3.2 million due to two underperforming business units in 2017 and a £5.8m impairment charge reversal due to two better performing business units. The impairment charge was £14.9 million in 2016 due to four underperforming business units. £5.8 million of the impairment charge recognised in 2016 for two business units resulted in a reversal in 2017, as the assessed recoverable values were higher than their carrying amounts. The assessment performed for the recoverable values of the business units in scope considered multiple factors including projected discounted cash flows and projected performance (refer to Note 7).

The priority for Seminole Hard Rock UK Limited is to continue investing in its core operations.

Future developments

The company and its subsidiaries continue to expand the brand through openings of company owned stores or licensing agreements.

The directors have assessed the ability to sustain positive financial performance for the underlying subsidiaries over the next two to three years. Having taken into consideration cost structure and the broader leisure/tourism market which drives sales growth; the directors believe that the group companies are well placed to deliver on modest growth expectations.

Principal risks and uncertainties

The directors have a responsibility to identify the principal risks and uncertainties which impact the business and implementing appropriate policies to manage those risks.

The directors have identified the following principal risks which impact the business:

- Weakness in global tourism trends;
- Ensuring consistency in management of the brand across the European Union;
- Foreign exchange and value of GBP against EU and USD currencies; and
- The impacts of Brexit on the EU operations.

Seminole Hard Rock UK Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

The directors and the Hard Rock Cafe ("HRC") group works to mitigate these risks by implementing the following measures:

- Global initiatives in marketing the brand to ensure HRC is increasing its market share to reduce impact on net sales of regional weakness due to reductions in tourism as a result of security and economic issues.
- Operating a multi-layer management structure across Europe and oversight from the US to ensure operational excellence and consistency of management across the European portfolio.
- Close monitoring from the US office and global treasury function to ensure timely repayments of intercompany loans and trading accounts to minimise sliding currency values against the USD.
- Regular updates on the expected impacts of the exit of Britain from the EU, and assessment of options available to HRC to reduce the financial impacts.

The directors also mitigate various operational and financial risks by engaging the services of independent service providers to ensure compliance in areas covering human resources, health and safety, and financial controls.

Once there is clarity on the impacts to Britain as a result of negotiations with the EU on legal, trading, and financial agreements, HRC will consider engaging the services of a consultant to assist with the decisions which will need to be made to mitigate the impacts to the HRC European operations.

Approved by the Board of Directors and signed on behalf of the Board,



Mr. David Stuart Pellow
Director

Cannon Place
78 Cannon Street
London
EC4N 6AF

11 October 2018

Seminole Hard Rock UK Limited

Directors' report

The directors present their Annual Report and the audited financial statements for the 53 week period ended 31 December 2017. The detail in relation to future developments and principal risks and uncertainties are included with the Strategic report.

Capital structure

The capital structure of the company is made up of the following:

- Authorised Ordinary Shares of 35,500,000 of £1 each; and
- Issued and fully paid Shares of 11,000,122 of £1 each.

Going concern

As highlighted in note 9, the immediate parent, Seminole Hard Rock International LLC is a significant creditor and has provided a letter of support stating that repayment will not be requested in the coming 12 months. The directors have assessed the financial position of the parent, and subsidiaries, and have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group to continue as a going concern.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Based on budgets approved for 2018 and revised forecasts for the year, and a six year strategic plan, management continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Dividends

The company directors did not declare nor pay a dividend in 2017 (2016: £nil).

Financial risk management

See note 11 for details of the company's financial risk management.

Post balance sheet events

There are no significant events affecting the company that have occurred subsequent to 31 December 2017.

Future developments

Details of the company's future developments are included within the strategic report on pages 2 and 3.

Directors' indemnity

Qualifying third party indemnity provisions as defined by the Companies Act 2006 were in force for the benefit of the directors throughout the period and up to the date of approval of the financial statements.

Directors

The directors of the Company served throughout the period and to the date of signing, except as noted:

Mr Brian Alexander (appointed 27th April 2018)

Mr David Stuart Pellow

Mr Jay Anthony Wolszczak (resigned 27th April 2018)

Seminole Hard Rock UK Limited

Directors' report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



Mr. David Stuart Pellow
Director
Cannon Place
78 Cannon Street
London
EC4N 6AF

11 October 2018

Seminole Hard Rock UK Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards [IFRSs] as adopted by the European Union and Article 4 of the IAS Regulation. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Seminole Hard Rock UK Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEMINOLE HARD ROCK (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Seminole Hard Rock (UK) Limited (the 'company'):

- **give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the 53 week period then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 15

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none">• Investments Impairment Assessment
Materiality	The materiality that we used in the current year was £1,164,000 which was determined on the basis of 3% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: **We have nothing to report in respect of these matters.**




Seminole Hard Rock UK Limited

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments Impairment Assessment	
Key audit matter description 	<p>Seminole Hard Rock (UK) Limited holds a number of investments in group companies which are considered for impairment on an annual basis. The total value of these investments at 31 December 2017 (prior to any impairment) is £255m spread over 11 investments. A net impairment reversal credit of £2.6m has been recognised in the year including a charge of £3.2m and a reversal of £5.8m. In the current year, four investments were considered to have impairment indicators and were consequently assessed for impairment. Value in use was calculated based on the projected free cash flows discounted at a WACC (weighted average cost of capital) rate specific to each investment. There is significant judgement in both the free cash flows and the WACC rates applied. The judgements in the free cash flows include investment specific future growth rates and performance estimates based on historical performance. The judgements in the WACC rate include specific premiums applied to each investment and country risk premiums.</p> <p>See note 7 for consideration of the investments held by Seminole Hard Rock (UK) Limited.</p>
How the scope of our audit responded to the key audit matter 	<p>We performed the following procedures in response to the key audit matter:</p> <ul style="list-style-type: none"> • used internal valuations specialists to assess the appropriateness of WACC rates against market rates; • assessed the reasonableness of the forecast cash flows used in the value in use calculation including assessment of historical forecasting accuracy and against market growth rates; • determined reasonableness of the net realisable values calculated by management against comparable market evidence; • tested the calculations provided for mechanical accuracy.
Key observations 	<p>Having considered the judgements together, we concluded that the investments were appropriately stated at 31 December 2017.</p>

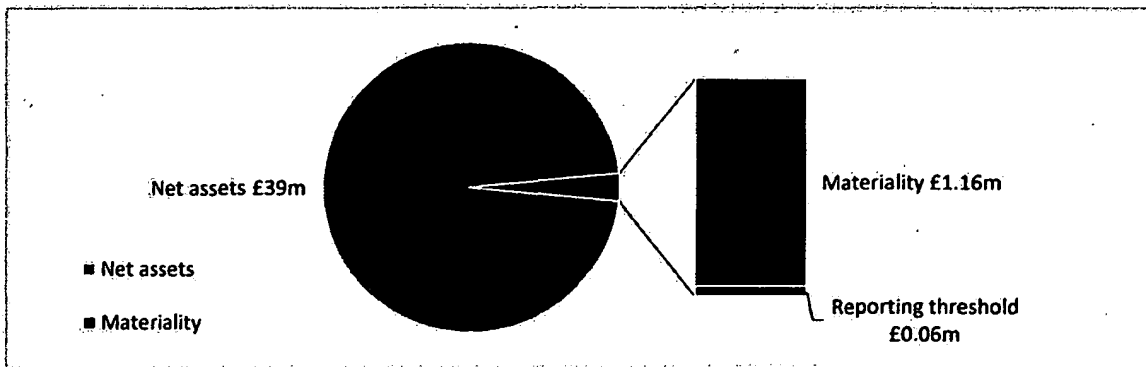
Seminole Hard Rock UK Limited

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£1,164,000
Basis for determining materiality	3% of net assets
Rationale for the benchmark applied	Seminole Hard Rock (UK) Limited is a holding company and therefore net assets is an appropriate basis for materiality. This entity has earnings that are income on investments and a consistent equity base.



An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or

Seminole Hard Rock UK Limited

our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

We have nothing to report in respect of these matters.

Seminole Hard Rock UK Limited

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

- we have not received all the information and explanations we require for our audit; or
- 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.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Use of our report

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



Andy Siddons ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
11 October 2018

Seminole Hard Rock UK Limited

Statement of comprehensive income For the 53 week period ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Other operating income / (expenses)	2	3,041	(20,533)
Operating profit / (loss)		3,041	(20,533)
Investment Income	4	24,022	33,251
Finance Income	3	21	12
Finance Cost	3	(10,244)	(10,405)
Profit before taxation		16,840	2,305
Taxation	6	1,981	2,811
Profit and total comprehensive income for the year		18,821	5,116

The notes on pages 16 to 27 form an integral part of the financial statements

Seminole Hard Rock UK Limited

Balance sheet As at 31 December 2017

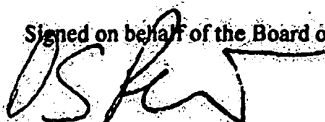
	Notes	2017 £'000	2016 £'000
Non-current assets			
Investments in subsidiaries	7	258,049	255,449
Total non-current assets		258,049	255,449
Current assets			
Prepayments and receivables from subsidiaries	8	22,332	3,516
Cash and cash equivalents	12	820	7,092
Total current assets		23,152	10,608
Total assets		281,201	266,057
Current liabilities			
Payable to subsidiaries and parent company	9	(109,284)	(113,112)
Trade and other payables	9	(558)	(407)
Total current liabilities		(109,842)	(113,519)
Net current liabilities		(86,690)	(102,911)
Non-current liabilities			
Payable to affiliates	9	(132,763)	(132,763)
Total non-current liabilities		(132,763)	(132,763)
Total liabilities		(242,605)	(246,282)
NET ASSETS		38,596	19,775
Shareholder's Equity			
Called up share capital	10	11,000	11,000
Capital contribution		1,183	1,183
Other Reserves		8,188	8,188
Retained earnings		18,245	(576)
TOTAL EQUITY		38,596	19,775

The notes on pages 16 to 27 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 11 October 2018.

Company Registration No. 06088359.

Signed on behalf of the Board of Directors.



Mr. David Stuart Pellow
Director

Seminole Hard Rock UK Limited

Statement of changes in equity For 53 week period ended 31 December 2017

	Share Capital £'000	Capital Contribution £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 27 December 2015	11,000	1,183	8,168	(5,692)	14,659
Total comprehensive income for the year	-	-	-	5,116	5,116
Balance at 25 December 2016	11,000	1,183	8,168	(576)	19,775
Total comprehensive income for the year	-	-	-	18,821	18,821
Balance at 31 December 2017	11,000	1,183	8,168	18,245	38,596

The company directors did not declare nor pay a dividend in the year (2016: £nil).

Seminole Hard Rock UK Limited

Cash flow statement

For the 53 week period ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash (used)/generated from operating activities	13	<u>(6,272)</u>	<u>13,595</u>
Net Cash (used)/generated from operating activities		<u>(6,272)</u>	<u>13,595</u>
Cash flows for investing activities			
Cash used for investments in subsidiaries	7	<u>-</u>	<u>(6,706)</u>
Net cash used in investing activities		<u>-</u>	<u>(6,706)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(6,272)</u>	<u>6,889</u>
Cash and cash equivalents at 25 December 2016		<u>7,092</u>	<u>203</u>
Cash and cash equivalents at 31 December 2017	12	<u>820</u>	<u>7,092</u>

Seminole Hard Rock UK Limited

Notes to the financial statements For the 53 week period ended 31 December 2017

1. Accounting policies

The basis for preparation and principal accounting policies adopted in the preparation of these financial statements are set out below.

The financial statements have been prepared under the historical cost convention. These policies have been consistently applied in the current and preceding year.

General information

Seminole Hard Rock UK Limited (the company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1.

The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 and 3. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and with IFRSs adopted by the European Union.

Going concern

The company has net current liabilities of £86.7 million (2016: £102.9 million), with significant amounts owed to fellow group undertakings of approximately £242.0 million (2016: £245.9 million) including long term loans of £132.8 million (2016: £132.8 million). The company is in receipt of written support from its ultimate parent company and the Directors have made enquiries to form a reasonable expectation that the parent company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. See the Director's Report for a discussion of financial risk management objectives and policies.

Income recognition

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

The assumptions and estimates used are reviewed on an ongoing basis and changes in accounting estimates do become necessary as the circumstances unfold and new information becomes available. Such changes are incorporated into the financial records as estimates are revised.

The directors do not consider there to be any critical judgements or key sources of estimation or uncertainty used in the preparation of these financial statements.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. All financial assets, other than cash and cash equivalents, are classified as loans and receivables.

Seminole Hard Rock UK Limited

Notes to the financial statements For the 53 week period ended 31 December 2017

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade receivables

Trade receivables, 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 income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the company's balance sheet. On disposal of investments in subsidiaries the difference between disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

Impairment in investment in subsidiaries

The Company considers at each balance sheet date whether there is any indication that assets have become impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the recoverable amount. If the carrying value of the asset is higher than the recoverable amount (higher of value in use and fair value less costs to sell), a provision for impairment is made and charged to the Statement of Comprehensive Income. In subsequent years, a previously recognised impairment provision may be reversed in whole or in part if there is a change in the recoverable amount.

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern. The Company's overall strategy remains unchanged from 2016.

The capital structure of the Company consists of ordinary share capital and retained earnings as disclosed in the Statement of change in equity on page 14.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency is also the presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedging criteria are met.

Seminole Hard Rock UK Limited

Notes to the financial statements For the 53 week period ended 31 December 2017

1. Accounting policies (continued)

Taxation

Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Critical accounting estimates and areas of judgement

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, income, and expenses. The estimates and underlying assumptions are based on the directors' experience and other factors which are relevant.

The assumptions and estimates used are reviewed on an ongoing basis and changes in accounting estimates do become necessary as the circumstances unfold and new information becomes available. Such changes are incorporated into the financial records as estimates are revised.

The estimates and assumptions considered to have a significant risk of causing a material adjustment to the carrying amounts of assets within the next year are related to impairment testing of investments in subsidiaries. Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposing the asset or its value in use calculation based on a discounted cash flow model for which it has been necessary to make a number of assumptions and estimates.

These assumptions and estimates cover critical areas such as future cash flows arising from future business performance, and rely in part on past performance providing a good guide to future performance. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate for extrapolation purposes. The actual results may vary materially from these assumptions and estimates and therefore the actual impairment loss may be different from that provided for.

Details of the sensitivity of the impairment testing for investments in subsidiaries to the critical assumptions can be found in note 7.

Seminole Hard Rock UK Limited

Notes to the financial statements For the 53 week period ended 31 December 2017

1. Accounting policies (continued)

New standards and interpretations not applied

In the current year, a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to IFRS 12	<i>Annual improvements to IFRS's 2014-2016 Cycle</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments</i>
IFRS 16	<i>Leases</i>

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

- IFRS 9 will impact both the measurement of the reported liabilities and its related disclosures of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The following are new and amended standards which the impact on the Group is being assessed, were not yet endorsed by the EU and/ or have no effective date:

- IFRS 9 (Issued) – effective for periods beginning on or after 1 January 2018
- IFRS 16 (Issued) – effective for periods beginning on or after 1 January 2019

Seminole Hard Rock UK Limited

Notes to the financial statements For the 53 week period ended 31 December 2017

2. Other operating (profit)/loss

The following items have been (credited)/charged in arriving at (profit)/loss or the year:

	Notes	2017 £'000	2016 £'000
Legal and professional fees		213	210
Foreign exchange (gain)/loss		(1,735)	4,432
Staff costs	5	1,964	1,356
Travel and related		329	383
Allocation of costs to related parties		(1,332)	(879)
Impairment charge on investment in subsidiaries	7	3,200	14,900
Reversal of impairment charge on investment in subsidiaries	7	(5,800)	-
Administrative and other		111	142
External audit fees		9	9
		<u>(3,041)</u>	<u>20,553</u>

Auditor's remuneration for audit services for the audit of the financial statements of £9,000 (2016: £9,000) has been paid on behalf of the Company by related companies. Auditor's remuneration for non-audit services of £130,000 (2016: £125,000) has been paid by this company for services related to tax preparation and advice related to the company and its subsidiaries.

The non-audit service fees of £130,000 in 2017 can be allocated between tax compliance of £60,000 (2016: £55,700) and tax advisory of £70,000 (2016: £69,300).

3. Finance cost and income

	2017 £'000	2016 £'000
Finance cost:		
Interest payable to related parties and affiliate	<u>10,244</u>	<u>10,405</u>
Finance income:		
Interest receivable from related parties	<u>(21)</u>	<u>(12)</u>
Total net finance cost	<u>10,223</u>	<u>10,393</u>

Note: Finance costs / (finance income) is recognised on intercompany trading accounts and loans with related parties at a 3% fixed rate. The non-current loan with an affiliate of the ultimate parent company referred to in note 9, is charged at a rate of 5.25% (2016: 5.25%).

Seminole Hard Rock UK Limited

Notes to the financial statements For the 53 week period ended 31 December 2017

4. Investment income

	2017 £'000	2016 £'000
Dividend Income:		
Received from EU and UK subsidiaries	24,022	33,251
Total Dividend Income	24,022	33,251

5. Employees and directors

	2017 £'000	2016 £'000
Staff costs during the year		
Wages and salaries	1,596	1,067
Social security costs	229	168
Other pension costs	78	64
Other benefits	61	57
	1,964	1,356

	2017 No.	2016 No.
Average monthly number of people employed	15	16

	2017 £'000	2016 £'000
Key management compensation		
Salaries and short-term employee benefits	200	173
Other long-term benefits	11	11
TOTAL	211	184

The key management compensation figures above includes one of the two company Directors who receives emoluments from the company, which are disclosed below.

	2017 £'000	2016 £'000
Director		
Aggregate emoluments	211	184
Company contributions to defined benefit pension scheme	-	-
TOTAL	211	184

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Notes to the financial statements For the 53 week period ended 31 December 2017

6. Taxation

	2017 £'000s	2016 £'000s
Current tax:		
UK corporation tax on profits of the period	(1,981)	(2,843)
Adjustment in respect of prior years	-	31
Total current income tax	<u>(1,981)</u>	<u>(2,812)</u>
Deferred tax:		
Origination and reversal of timing differences	-	1
Total deferred tax	<u>-</u>	<u>1</u>
Total tax credit on profit on ordinary activities	<u>(1,981)</u>	<u>(2,811)</u>

The company has £6.8 million (2016: £8.7 million) of accumulated tax losses carried forward at the balance sheet date with no expiry date, on which no deferred tax has been recognised.

The tax on the company's profit before tax differs from the standard rate of UK Corporation tax of 19.25% (2016: 20%). The UK Corporation tax rate was reduced from 20% to 19% on April 2017, and a further reduction to 17% will take place on April 2020. The differences for the years presented are explained below.

	2017 £'000s	2016 £'000s
Profit on ordinary activities before tax	<u>16,840</u>	<u>2,305</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	3,242	461
Effects of:		
Change in valuation allowance	(154)	366
Non-taxable income	(501)	-
Expenses not deductible for tax purposes	-	2,980
Non-taxable subsidiary dividends	(4,624)	(6,650)
Adjustment in respect of prior years	24	32
Other	32	-
Total taxation benefit	<u>(1,981)</u>	<u>(2,811)</u>

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Notes to the financial statements For the 53 week period ended 31 December 2017

7. Investments in subsidiaries

	2017	2016
	£'000	£'000
Investments in subsidiaries at 26 December 2016	255,449	263,643
Additional investment in existing subsidiaries	-	6,706
Impairment charge	(3,200)	(14,900)
Reversal of impairment charge	5,800	-
Total Investments at 31 December 2017	258,049	255,449

As part of the annual review of the underlying businesses in which the company holds investments, an impairment indicator assessment was performed and certain investments were subject to a full impairment review. The company utilized an independent valuation specialist in assessing the recoverable values of our investments in scope. The recoverable amount of the CGU's (cash generating units) was estimated based on its value in use.

Based on the assessment, the carrying amount of the investments were determined to be £3,200,000 (2016: £14,900,000) higher than the recoverable amount, and an impairment charge was recognised in 2017. In addition, the assessment has resulted in the reversal of 2016 impairment charge for £5,800,000. The following table represents the changes in investment in subsidiaries during the year:

	2017	2017	Impairment	Reversal of
	Carrying	Value in	Charge in	Impairment
	amount	use	2017	Charge in
	£'000	£'000	£'000	2016
				£'000
Cash generating unit				
Hard Rock Cafe Germany GmbH	43,000	55,300	-	2,300
Hard Rock Cafe Austria GmbH	3,400	6,900	-	3,500
Hard Rock Cafe Belgium SA	3,400	1,400	(2,000)	-
Seminole Hard Rock Hellas SA (Greece)	1,400	200	(1,200)	-
Total			(3,200)	5,800

The value in use was determined using discounted cash flows. Five year cash flows were included in the discounted cash flow model, with future cash flows from EBITDA reduced by anticipated capital spend and other expenditures. A long term compound growth rate of 2% was used.

The future cash flows were discounted to present value using a pre-tax discount rate of 9.6 percent for Germany, 9.2 percent for Austria, 13.8 percent for Belgium, and 23.4 percent for Greece.

Future cash flows were based on expectations of outcomes taking into account past experience.

A key assumption impacting the value in use is the long term growth rate. The impact of a change in the growth rate on the value in use of the reviewed subsidiaries by 1% would result in an additional impairment charge of £200,000 and a reduction of £1.2 million in reversal of 2016 loss.

Management has assessed the historical performance and expected growth prospects for the Hard Rock brand, and overall macro-economic environment and are satisfied with the long term growth rates used.

Seminole Hard Rock UK Limited

Notes to the financial statements For the 53 week period ended 31 December 2017

7. Investments in subsidiaries (continued)

Details of investments:

Company name	Principal activities	Country of incorporation and origin	Proportion of issued ordinary equity share capital owned
Hard Rock International Limited	a	United Kingdom	100%
Seminole Hard Rock International Spain SL	b	Spain	100%
Hard Rock Cafe Belgium SA	b	Belgium	99.8%
Hard Rock Cafe Portugal SA	b	Portugal	100%
Hard Rock Cafe Italy SL	b	Italy	100%
Hard Rock Cafe Germany GmbH	b	Germany	100%
Seminole Hard Rock Hellas SA	b	Greece	100%
Hard Rock Hotel Berlin GmbH	b	Germany	100%
Hard Rock Cafe Denmark A/S	b	Denmark	100%
Hard Rock Cafe Austria GmbH	b	Austria	100%
Hard Rock Cafe (Czech Republic) S.R.O	b	Czech Republic	80%
Hard Rock Cafe (Edinburgh) Limited	b	United Kingdom	100%
Hard Rock Hotel (Czech Republic) S.R.O.	b	Czech Republic	100%
Hard Rock Europe Limited	c	United Kingdom	100%
Hard Rock Hotels Europe Limited	c, d	United Kingdom	100%
Hard Rock Records UK Limited	c	United Kingdom	100%

The nature of activities of the individual companies is designated as follows:

- (a) Operation of Hard Rock Cafes and franchises across Europe.
- (b) Operation of the Hard Rock Cafes and Hotels, providing restaurant, retail and hotel services.
- (c) Non-trading, non-active company.

The registered addresses of the subsidiaries are noted below:

Company name	Registered address
Hard Rock International Limited	78 Cannon Street, London, England, EC4N 6AF
Seminole Hard Rock International Spain SL	Paseo de la Castellana, 2, Madrid, Spain, 28046
Hard Rock Cafe Belgium SA	Grand Place 12A, Brussels, Belgium, 1000
Hard Rock Cafe Portugal SA	Av. da Liberdade 2, Lisbon, Portugal, 1250
Hard Rock Cafe Italy SL	Via Vittorio Veneto 62, Rome, Italy, 00187
Hard Rock Cafe Germany GmbH	Kurfurstendamm 224, Berlin, Germany, 10719
Seminole Hard Rock Hellas SA	Adrianou 52, Athens, Greece, 105 55
Hard Rock Hotel Berlin GmbH	Kurfurstendamm 224, Berlin, Germany, 10719
Hard Rock Cafe Denmark A/S	Radhuspladsen 45, Copenhagen, Denmark, 1550
Hard Rock Cafe Austria GmbH	Rotentumstrabe 25, Vienna, Austria, 1010
Hard Rock Cafe (Czech Republic) S.R.O	Male namesti 3, Prague, Czech Republic, 110 00
Hard Rock Cafe (Edinburgh) Limited	78 Cannon Street, London, England, EC4N 6AF
Hard Rock Hotel (Czech Republic) S.R.O	Male namesti 3, Prague, Czech Republic, 110 00
Hard Rock Europe Limited	13-14 Esplanade, St. Helier, Jersey, JE1 1BD
Hard Rock Hotels Europe Limited	78 Cannon Street, London, England, EC4N 6AF
Hard Rock Records UK Limited	78 Cannon Street, London, England, EC4N 6AF

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Notes to the financial statements For the 53 week period ended 31 December 2017

8. Prepayments and receivables from subsidiaries

	2017 £'000	2016 £'000
Prepayments	25	28
Amounts owed by fellow group undertakings	22,307	3,488
Balance at 31 December	<u>22,332</u>	<u>3,516</u>

Interest income is recognised on intercompany trading accounts with related subsidiaries at a 3% fixed rate. Amounts owed by fellow group undertakings due within the year are deemed to be payable on demand.

9. Loans with related parties and affiliate, trade payables, and accruals

	2017 £'000	2016 £'000
Amounts falling due in less than one year:		
Amounts owed to related parties and immediate parent company	(109,284)	(113,112)
Trade and tax payables	(191)	(149)
Accruals	(367)	(258)
Balance at 31 December	<u>(109,842)</u>	<u>(113,519)</u>

Interest is recognised on current intercompany trading accounts with related subsidiaries at a 3% fixed rate (2016: 3%). The intercompany lenders have confirmed that they will not call the amounts due within 12 months after the approval of accounts.

	2017 £'000	2016 £'000
Amounts falling due after one year		
Amounts owed to affiliate of ultimate parent company	<u>(132,763)</u>	<u>(132,763)</u>
Balance at 31 December	<u>(132,763)</u>	<u>(132,763)</u>

During 2014, senior management of the ultimate parent carried out a restructuring of group companies which resulted in various Hard Rock entities, previously direct subsidiaries of Seminole Hard Rock International B.V the immediate parent of the company, being sold to Seminole Hard Rock U.K. Limited.

This restructuring was financed through a loan facility with the ultimate parent, Seminole Hard Rock International, LLC (SHRI). On 31 December 2016, the loan was transferred to an affiliate of SHRI, Hard Rock (Barbados) SRL. No terms within the loan were modified as a part of this transfer. The loan will mature on 31 December 2021 and interest is payable semi-annually.

Interest is charged on this loan is at a rate of 5.25%.

The loan instrument is a Eurobond listed on the Channel Islands Stock Exchange (CISX).

Seminole Hard Rock UK Limited

Notes to the financial statements For the 53 week period ended 31 December 2017

10. Called up share capital

	2017 £'000	2016 £'000
Authorised 35,500,000 ordinary shares of £1 each	<u>35,500</u>	<u>35,500</u>
Issued and fully paid 11,000,122 ordinary shares of £1 each	<u>11,000</u>	<u>11,000</u>

In 2012, the company reduced its share capital by £24,442,000, through the cancellation of shares and created Other Reserves for the same value. Subsequently, in 2014 a dividend was distributed for value of £16,274,000 resulting in the current balance of Other Reserves of £8,168,000.

11. Financial risk management

The principal risks identified by the company are liquidity risk and foreign exchange risk. The directors are responsible for managing these risks and the policies adopted are set out as follows:

Liquidity risk – the Hard Rock Cafe group manages its cash flow needs through the use of intercompany trading accounts and loans, whereby surplus funds in related party subsidiaries are utilised for both working capital and capital investments.

Foreign exchange risk – the company is impacted by transactions in foreign currencies, specifically dividends received from subsidiaries whose functional currency is not sterling. When the company is exposed to transaction gain or loss it makes use of third party currency advisers to assist in managing the transaction.

The company also has a USD denominated payable to its immediate parent Seminole Hard Rock International, BV of \$12.9 million (£9.6 million valued at the year-end spot rate of 1GBP = \$1.35). For each basis point move in the exchange rate, the value of the obligation will move by approximately £71,000.

No financial instruments are held at fair value. All financial liabilities are held at amortised cost. All financial assets are loans and receivable.

12. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents		
Cash at bank and in hand	<u>820</u>	<u>7,092</u>
Total cash at bank and in hand	<u>820</u>	<u>7,092</u>

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Notes to the financial statements For the 53 week period ended 31 December 2017

13. Cash flows from operating activities

Reconciliation of operating profit to net cash flows from operating activities:

	2017	2016
	£'000	£'000
Cash flows from operations		
Profit for the year	18,821	5,116
Net impairment (reversal)/charge	(2,600)	14,900
Decrease/(increase) in prepayments	3	(28)
Increase/(decrease) in accruals and trade payables	151	(90)
Other transfers to group companies	(22,647)	(6,303)
Net cash (used)/generated from operations	(6,272)	13,595

14. Ultimate parent undertaking

The company is exempt from the preparation of consolidated financial statements under the provision of s400 and s401 of the Companies Act 2006.

The ultimate EU parent company is Seminole Hard Rock Cooperative U.A which is the head of the EU group of companies. The smallest and largest group to consolidate these financial statements is Seminole Hard Rock International LLC (SHRI), formed in the United States of America.

The exemption from consolidation is on the basis it is included in the group accounts of SHRI, LLC, and in compliance with Dutch filing requirements, the company has filed the audited consolidated financial statements SHRI, LLC, its US parent, in The Netherlands in place of Seminole Hard Rock Cooperative U.A. The accounts of SHRI are available through The Netherlands Chamber of Commerce in Amsterdam (www.kvk.nl).

SHRI, LLC is a wholly-owned subsidiary of Seminole HR Holdings, LLC, which is ultimately wholly-owned and controlled by the Seminole Tribe of Florida, the ultimate controlling party.

15. Related party transactions

The following related party transactions, between the company and other HRC group companies have been included in arriving at profit for the year:

	2017	2016
	£'000	£'000
Interest paid to affiliates	6,970	6,970
Net interest payable to subsidiaries	3,253	3,423
Operating expenses paid (by)/ to subsidiaries	(1,302)	1,220
	8,921	11,613

Amounts owed to/by related parties consist of trading and loan accounts with subsidiaries under common control of the company's US parent company.

The company also has receivables from subsidiaries and payables to subsidiaries and parent company which is disclosed in notes 8 and 9.