


GENERATOR HOSTELS LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

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INDEX TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

| | <i>Pages</i> |
|--|--------------|
| Company Information | 1 |
| Strategic Report | 2 |
| Directors' Report | 3 |
| Statement of Directors' Responsibilities | 4 |
| Statement of Comprehensive Income | 5 |
| Statement of Financial Position | 6 |
| Statement of Changes in Equity | 7 |
| Notes to the Financial Statements | 8-23 |

Generator Hostels Ltd

COMPANY INFORMATION

For the year ended 31 December 2020

Directors

Alastair Thomann
Jueane Thiessen
Herve Deligny (appointed 1 March 2022)
Andre Guettouche (resigned 1 February 2022)
Jonathan Millet (resigned 23 October 2020)
Sharn Gill (resigned 7 September 2020)

Company Number

03192617

Registered Address

Generator Hostels Ltd
Macnaughton House
Compton Place
London
WC1H 9SD

STRATEGIC REPORT

For the year ended 31 December 2020

REVIEW OF THE BUSINESS

The loss for the year attributable to shareholders amounts to £8,385,561 (2019: £5,629,827) and is detailed on the Statement of Comprehensive Income. Total equity decreased by the corresponding amount.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in a highly competitive environment and is therefore exposed to actions from existing and new entrants to the market. This is overcome by the prime location of the hostels, a strong brand and a number of activities that differentiate the Company's offer, including marketing campaigns, public relations actions, a strong social media presence and investment in the real estate.

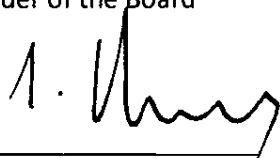
In 2020 the Company was still loss making as income from royalties, management and marketing fees did not sufficiently cover the head office costs. The deficit has been covered by the funding from the Group. It is expected that within 2-3 years expenses will be covered by the management fees from all operating hostels and the Company will start generating profits.

KEY PERFORMANCE INDICATORS

The business is a management company and continues to manage the expanding Group. Directors use a number of indicators to track the performance of the operating companies in the Group (KPIs), as these benchmarks form an indicator of valuation of the underlying investment.

| KPIs | 2020 | 2019 |
|------------------------------------|--------|--------|
| Occupancy (Beds) | 23.2% | 78.8% |
| ABR – Average Bed Rate | £26.95 | £27.04 |
| RevPAB - Revenue Per Available Bed | £6.24 | £21.32 |

By order of the Board



Herve Deligny
Director

Date 26/10/20

DIRECTORS' REPORT

For the year ended 31 December 2020

The Directors submit their report and the financial statements of Generator Hostels Ltd ("the Company") for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The results for the year are set out on page 5. No dividends will be distributed for the year ended 31 December 2020 (2019: £nil).

FUTURE DEVELOPMENTS

Following the significant impact of COVID-19 across all sites in 2020, the short-term focus of the Queensgate Generator S.à r.l Group (the Group) is restoring revenue and profitability to historic levels.

However, the Group is always reviewing potential development of existing assets. Other opportunities for growth are also being considered as the Group looks to expand the Freehand brand into the European market.

DIRECTORS

The following Directors have held office since 1 January 2020:

- Alastair Thomann
- Jueane Thiessen
- Herve Deligny (appointed 1 March 2022)
- Andre Guettouche (resigned 1 February 2022)
- Jonathan Millet (resigned 23 October 2020)
- Sharn Gill (resigned 7 September 2020)


POST BALANCE SHEET EVENTS

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the Group after the year end, as it has on hostels and hotels around the world. There were breaches to loan covenants for the main Group facility (for the quarter ending September 2020) and Italian facility (for the quarters ending June and September 2020).

Post year-end financing has been received from shareholders and local Government's (in the form of grants, payroll assistance and loan funding). Additional debt funding is also expected to be received from new lenders imminently. The Group is fortunate to benefit from the strong support of its lenders and its shareholders and the Group's main European and US facilities are due to be extended and covenant waivers obtained where necessary, although this is yet to be formally agreed.

There are no other events or matters required to be disclosed in the financial statements

By order of the Board



Herve Deligny
Director

Date 26/10/22

STATEMENT OF DIRECTORS RESPONSIBILITIES

For the year ended 31 December 2020

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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;
- State whether applicable United Kingdom Accounting Standards, comprising FRS101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

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.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | Notes | Year to 31 December 2020 GBP | Year to 31 December 2019 GBP |
|--|-------|------------------------------------|------------------------------------|
| Revenue | 2 | 1,868,422 | 7,191,669 |
| Gross profit | | 1,868,422 | 7,191,669 |
| Administration expenses | 3 | (8,883,315) | (10,945,391) |
| Operating loss | | (7,014,893) | (3,753,722) |
| Finance costs | 4 | (3,918,344) | (3,271,011) |
| Depreciation and amortisation | 6 | (431,659) | (466,151) |
| Finance income | 5 | 320,713 | 396,284 |
| Loss before tax | | (11,044,183) | (7,094,600) |
| Income tax | 7 | 2,658,622 | 1,464,773 |
| Loss for the year | | (8,385,561) | (5,629,827) |
| Other comprehensive income | | - | - |
| Total comprehensive loss attributable to the shareholders | | (8,385,561) | (5,629,827) |

The loss for the year arises from the Company's continuing operations.

The accompanying notes form an integral part of these financial statements

Generator Hostels Ltd

STATEMENT OF FINANCIAL POSITION

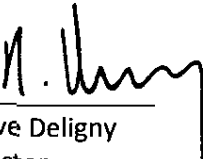
For the year ended 31 December 2020

| | Notes | 31 December 2020 GBP | 31 December 2019 GBP |
|--|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current | | | |
| Investments and other financial assets | 9 | 10,611,442 | 10,290,730 |
| Other intangible assets | 10 | 835,691 | 1,233,525 |
| Plant and equipment | 11 | 141,481 | 184,878 |
| Deferred tax asset | 12 | 3,096,062 | 948,261 |
| | | <u>14,684,676</u> | <u>12,657,394</u> |
| Current | | | |
| Trade and other receivables | 13 | 33,519,967 | 22,365,571 |
| Cash and cash equivalents | | 479,872 | 2,287,354 |
| | | <u>33,999,839</u> | <u>24,652,925</u> |
| LIABILITIES | | | |
| Current | | | |
| Trade and other payables | 14 | (34,102,153) | (17,233,336) |
| Non-current | | | |
| Interest bearing long-term loans | 15 | (49,871,030) | (46,980,090) |
| | | <u>(35,288,668)</u> | <u>(26,903,107)</u> |
| NET LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 16 | 100,000 | 100,000 |
| Capital redemption reserve | 16 | 69,098 | 69,098 |
| Retained earnings | | (35,457,766) | (27,072,205) |
| TOTAL EQUITY | | <u>(35,288,668)</u> | <u>(26,903,107)</u> |

Registered Company Number: 03192617

For the year ending 31 December 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved and authorised for issue by the Board on 26/10/22 and signed on its behalf by:


 Herve Deligny
 Director

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

| | Share capital GBP | Redemption reserve GBP | Retained earnings GBP | Total equity GBP |
|---------------------|-------------------------|------------------------------|-----------------------------|---------------------|
| At 1 January 2019 | 100,000 | 69,098 | (21,442,378) | (21,273,280) |
| Loss for the year | - | - | (5,629,827) | (5,629,827) |
| At 31 December 2019 | <u>100,000</u> | <u>69,098</u> | <u>(27,072,205)</u> | <u>(26,903,107)</u> |
| Loss for the year | - | - | (8,385,561) | (8,385,561) |
| At 31 December 2020 | <u>100,000</u> | <u>69,098</u> | <u>(35,457,766)</u> | <u>(35,288,668)</u> |

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

GENERAL INFORMATION

Generator Hostels Ltd (the "Company") is a Private Limited Company, limited by shares, domiciled and incorporated in England and Wales. The Company's principal activity is to act as a management company that holds the rights to the Generator brand. The Company's registered office is Macnaughton House, Compton Place, London, United Kingdom, WC1H 9SD.

1 ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared in accordance with the historical cost convention, as modified financial assets and financial liabilities at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

In accordance with FRS 101, the Company has taken advantage of the exemptions from the following disclosure requirements;

- IAS 1 'Presentation of Financial Statements' – *Comparative reconciliations of the opening and closing number of shares and carrying amounts of property, plant and equipment, and intangible assets, objectives, policies and processes for managing capital.*
- IAS 7 'Statement of Cash Flows' – *Presentation of a Statement of Cash Flow and related notes.*
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – *IFRSs that will impact future periods.*
- IAS 24 'Related Party Disclosures' – *Compensation for key management personnel and group transactions.*
- IAS 36 'Impairment of Assets' – *Key assumptions in the measurement of the recoverable amount of assets and reasonable changes in those assumptions that result in impairment, where recoverable amount is based on fair value less costs of disposal; the valuation technique(s) used, and if fair value is not measured using a quoted price for an identical unit; the level in the fair value hierarchy, any change in the valuation technique(s) and the reason for the change.*
- IFRS 7 'Financial Instruments: Disclosures' – *Carrying amounts, fair values, interest income/expense and net gains/ losses for each category of financial instrument, risks associated with financial instruments (including management of risks, maximum credit risk, credit quality of financial assets, analysis of financial assets past due or impaired, maturity analysis for financial liabilities, sensitivity analysis for market risks).*
- IFRS 13 'Fair Value Measurement' – *The fair value hierarchy, fair value measurements, (including valuation technique(s) and inputs), if the highest and best use of a non-financial asset differs from its current use, the reason for non-recurring fair value measurements, for Level 3 fair value measurements; unrealised fair value gains/losses in the period, the valuation process and sensitivity analysis.*

The Company is a wholly owned subsidiary of Queensgate Generator S.a.r.l. It is included in the consolidated financial statements of Queensgate Generator S.a.r.l, which are publicly available at 15 Boulevard F.W. Raiffeisen, L-2411 Luxembourg. Therefore, the Company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1.2 REVENUE RECOGNITION

Royalties, Management fees and Marketing fees

Under management agreements, the Company's performance obligation is to provide hostel management and marketing services, and a licence to use the Company's trademarks and other intellectual property.

Base management fees are typically a percentage of total hostel revenues, treated as variable consideration. Base management fees are recognised as the underlying hotel revenues occur. All revenues are recognised over time, as the service is provided by the Company and consumed by the customer simultaneously

1.3 FINANCING COSTS

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method. Attributable transaction costs are recognised initially in the carrying value of non-derivative financial instruments, and subsequently amortised using the effective interest rate method.

1.4 FOREIGN CURRENCY TRANSLATION

The financial statements of the Company are presented in Pound Sterling (GBP), which is the functional currency of the primary economic environment in which the Company operates.

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing on the date of the transaction. At each reporting date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the statement of income for the year to which they relate;
- non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical cost applicable at the date of the transaction.

1.5 LEASES

Leases are analysed based on the situations and indicators set out in IFRS 16 in order to determine whether they constitute leases. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The following main factors are considered by the Company to assess a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration and where the supplier does not have the substantive right of substitution. Upon lease commencement, a lessee recognises a right-of-use asset and a lease liability under the cost model measured at cost less accumulated depreciation and accumulated impairment and lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease.

1.6 PLANT AND EQUIPMENT

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated to write down the cost less estimated residual value of all plant and equipment by equal annual instalments over their expected useful lives less estimated residual values, using the straight-line method. The rates generally applicable are:

- Fixtures, Fittings & Equipment 3 - 7 years straight line basis
- Computer equipment 5 years straight line basis

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

The assets residual value and useful lives are reviewed, and adjusted if required, at each reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

1.7 FIXED ASSET INVESTMENTS

Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

1.8 INTANGIBLES ASSETS

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

- Software 5 years straight line basis

1.9 IMPAIRMENT (NON-FINANCIAL ASSETS)

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

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1.10 TAXATION

Income tax expense represents the sum of the deferred tax and current tax payable.

Current tax

The tax expense currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Where assets are not yet trading or where it is not certain that sufficient taxable profits will arise within two years deferred tax is not recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1.11 FINANCIAL ASSETS

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial asset. Transaction costs that are directly attributable (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value as appropriate, on initial recognition.

Fair value through profit or loss

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost where they are:

- financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset gives rise to specified dates to cash flows that are solely payments of principal and interest.

Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus cumulative interest, adjusted for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, FVTOCI, lease receivables as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk.

The Company recognises lifetime ECL on all financial instruments where there has been a significant increase in credit risk since initial recognition. The assessment of whether lifetime ECL should be recognised is based on the likelihood or risk of default occurring since initial recognition.

Lifetime ECL represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. The 12-month ECL represent the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased, the following shall be taken into account:

- Actual or expected significant deterioration in the financial instrument's external or internal credit rating; or
- Significant deterioration in external market conditions; or
- Existing or forecast adverse changes in business, financial or economic conditions that will impact the debtor's ability to meet debt obligations; or
- Actual or expected deterioration in the operating results of the debtor; or
- Actual or expected significant adverse changes in the regulatory or technological environment of the debtor that will impact the debtor's ability to meet debt obligations.

Certain categories of financial asset, such as trade receivables, are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the generally average credit period of 30 to 90 days, as well as observable changes in the national or local economic conditions that correlate with default on receivables.

1.12 FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at fair value and subsequently held at amortised cost. Transaction costs that are directly attributable (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value as appropriate, on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1.13 FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Foreign exchange risk

The Company operates mainly in Europe and is exposed to the foreign exchange risk arising from Euro exposure. Foreign exchange risk arises from the future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The wider Group uses derivative financial instruments to hedge certain risk exposures.

Credit risk

Credit risk is managed on the Group level, except for credit risk relating to accounts receivable balances. The Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

1.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.15 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IFRS 16 Leases

With effect from 1 January 2019, the Company has adopted IFRS 16 'Leases'. Lessees are required to recognise on the statement of financial position 'right-of-use' assets which represent the right to use underlying assets during the lease term and a lease liability representing the minimum lease payment for all leases. Depreciation of 'right-to-use' assets and interest on lease liabilities is charged to the income statement, replacing the corresponding operating lease rentals.

The Company has adopted IFRS 16 using the 'modified retrospective approach' from 1 January 2019 and therefore the comparative information has not been restated as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The company has used the following practical expedients permitted by the standard:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2020 as short-term leases excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The Company had no leases which resulted in an impact to the financial statements as at 31 December 2020.

1.16 GOING CONCERN

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the hotels within the Queensgate Generator S.à r.l Group (the Group) after the year end, as it has on all hotels worldwide. It is too early to know the precise impact this will have on the short and medium term trading horizon as the situation continues to evolve and with different impacts and levels of support provided to businesses in the different countries in which the group operates.

However, the Group Directors are taking comprehensive steps to ensure that the business is able to continue in operation for the foreseeable future. Cost savings have been made wherever possible at both a marginal and fixed cost level, taking advantage of Government supported measures, such as loans and grants, furloughing of employees and tax deferral schemes for the period that these are available. Queensgate Generator has previously traded with strong EBITDA performance and it is the expectation of the Group Directors that normal operations will be able to resume relatively quickly once the restrictions in relation to COVID-19 and international travel are lifted with the group expecting to be ahead of many in the industry in terms of recovery.

The Company is part of a larger Group and senior facility agreements within the Group have been amended to acknowledge and work with the adverse impact of COVID-19 restrictions. The Group has secured additional funding from shareholders and external lenders after year end, and so management is confident the Company will be able to continue to trade and meet its liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements.

The Directors of the Company have considered the situation of the Company with consideration to the larger Group and concluded that it is appropriate to prepare the financial statements using the going concern.

The financial statements do not include the adjustments that would result if the Group and Parent Company was unable to continue as a going concern.

2 REVENUE

| | Year to 31 December 2020 GBP | Year to 31 December 2019 GBP |
|-----------------|---|---|
| Management fees | 1,203,439 | 4,280,379 |
| Royalty fees | 223,919 | 1,247,865 |
| Marketing fees | 441,064 | 1,663,425 |
| | <u>1,868,422</u> | <u>7,191,669</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 ADMINISTRATION EXPENSES

Key administration expenses to users of the financial statements include:

| | Year to 31 December 2020 GBP | Year to 31 December 2019 GBP |
|---|---|---|
| a) Audit fees | - | - |
| b) Corporation tax compliance fees | 17,250 | 4,000 |
| c) Staff costs (including other agency personnel) | 5,279,371 | 5,571,739 |
| d) Legal and professional fees | 927,917 | 1,311,145 |
| e) Operating lease expenses | 150,583 | 134,280 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

4 FINANCE COSTS

| | Year to 31 December 2020 GBP | Year to 31 December 2019 GBP |
|--|------------------------------------|------------------------------------|
| Interest payable on related party borrowings | 3,401,099 | 2,705,853 |
| Foreign exchange losses/(gain) on related party loan | 499,414 | 536,426 |
| Bank charges | 17,831 | 28,732 |
| | <u>3,918,344</u> | <u>3,271,011</u> |

The interest payable on related party borrowings was 6% (2019: 6%).

5 FINANCE INCOME

| | Year to 31 December 2020 GBP | Year to 31 December 2019 GBP |
|---|------------------------------------|------------------------------------|
| Interest receivable on related party loan | 320,713 | 396,284 |
| Foreign exchange gains/(loss) on related party loan | - | - |
| | <u>320,713</u> | <u>396,284</u> |

The interest receivable on related party loans was 6% (2019: 6%).

6 DEPRECIATION AND AMORTISATION

| | Year to 31 December 2020 GBP | Year to 31 December 2019 GBP |
|--------------|------------------------------------|------------------------------------|
| Amortisation | 380,518 | 415,483 |
| Depreciation | 51,141 | 50,668 |
| | <u>431,659</u> | <u>466,151</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

7 INCOME TAX

Reconciliation of effective tax rate:

| | Year to 31 December 2020 GBP | Year to 31 December 2019 GBP |
|---|---|---|
| Current tax: | | |
| UK corporation tax | (132,642) | (659,957) |
| Adjustments in respect of previous periods | 174,351 | (252,286) |
| Total current tax | 41,709 | (912,243) |
| Deferred tax charge/(credit) - current year | (2,700,331) | (552,530) |
| Total tax credit for the year | (2,658,622) | (1,464,773) |
| Loss on ordinary activities before tax | (11,044,183) | (7,094,600) |
| Tax on loss on ordinary activities at standard corporation tax in UK of 19% (2019: 19%) | (2,098,395) | (1,347,974) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 104,457 | 100,276 |
| Adjustment in respect of previous year | (566,959) | (341,054) |
| Impact of changes in tax rate | (133,769) | - |
| Other timing differences | 36,044 | 123,979 |
| | (2,658,622) | (1,464,773) |

The Company has surrendered the benefit of its tax losses to its group undertaking for a consideration of £132,642 (2019: £912,243).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

8 EMPLOYEES

The average number of persons (including Directors) employed by the Company:

| | Year to 31 December 2020 | Year to 31 December 2019 |
|----------------|-------------------------------------|-------------------------------------|
| Administration | 30 | 39 |

The aggregate cost of these employees was:

| | Year to 31 December 2020 GBP | Year to 31 December 2019 GBP |
|---------------------------------|---|---|
| Wages and salaries | 4,456,773 | 4,547,962 |
| Payroll taxes | 608,929 | 711,139 |
| | <u>5,065,702</u> | <u>5,259,101</u> |
| Total Directors' emoluments | 1,541,015 | 1,525,336 |
| Highest paid Director | 885,800 | 850,000 |

9 INVESTMENTS AND OTHER FINANCIAL ASSETS

| | Shares | Investment Loans GBP | Total GBP |
|---------------------------------|------------------|---------------------------------|----------------------|
| At 1 st January 2020 | 2,946,668 | 7,344,062 | 10,290,730 |
| Additions | - | 320,711 | 320,711 |
| Equity conversion | 3,779,936 | (3,779,936) | - |
| At 31st December 2020 | <u>6,726,604</u> | <u>3,884,837</u> | <u>10,611,441</u> |

Investment loans mature between 20 December 2022 and 1 July 2023 where principal will be repaid and/or converted to capital under the terms of the respective agreements. The interest receivable on related party loans was 6% during 2020 (2019: 6%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

| Subsidiaries | Shareholding | Principal activity | Equity at 31 December 2020 | Loss for the year to 31 December 2020 |
|----------------------------|---------------------|---------------------------|---------------------------------------|--|
| Generator Hostel Sweden AB | 100% | Hostel OpCo | SEK61,539 | (SEK28,052,041) |
| Generator Hostels Inc. | 100% | Management Company | (USD535,157) | USD224 |

| Subsidiaries | Registered address |
|----------------------------|--|
| Generator Hostel Sweden AB | Torsgatan 10, 111 23 Stockholm, Sweden |
| Generator Hostels Inc. | 27-29 Glasshouse Street, London, W1B 5DF |

The financial statements of the Company and its direct and indirect subsidiaries are consolidated in the financial statements of Queensgate Generator S.a.r.l the parent company for the entire group, and no consolidation is prepared at the Company's level. The consolidated financial statements of Queensgate Generator S.a.r.l. are available at its registered office, 15 Boulevard F. W. Raiffeisen, L-2411, Luxembourg.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 OTHER INTANGIBLE ASSETS

| | Software GBP |
|--------------------------|-------------------------|
| Cost or valuation | |
| At 1 January 2020 | 2,399,715 |
| Additions | 163,294 |
| Costs recharged to sites | (180,610) |
| Disposals | - |
| As at 31 December 2020 | <u>2,382,399</u> |
| Amortisation | |
| At 1 January 2020 | 1,166,190 |
| Charge for the year | 380,518 |
| Disposals | - |
| As at 31 December 2020 | <u>1,546,708</u> |
| Net Book Value | |
| As at 31 December 2020 | <u>835,691</u> |
| As at 31 December 2019 | <u>1,233,525</u> |

11 PLANT AND EQUIPMENT

| | Furniture, fittings and equipment GBP | Computer equipment GBP | Total GBP |
|--------------------------|--|---------------------------------------|----------------------|
| Cost or valuation | | | |
| At 1 January 2019 | 150,611 | 301,468 | 452,079 |
| Additions | 166 | 7,578 | 7,744 |
| Disposals | - | - | - |
| As at 31 December 2020 | <u>150,777</u> | <u>309,046</u> | <u>459,823</u> |
| Depreciation | | | |
| At 1 January 2020 | 57,820 | 209,381 | 267,201 |
| Charge for the year | 18,594 | 32,547 | 51,141 |
| Disposals | - | - | - |
| As at 31 December 2020 | <u>76,414</u> | <u>241,928</u> | <u>318,342</u> |
| Net Book Value | | | |
| As at 31 December 2020 | <u>74,363</u> | <u>67,118</u> | <u>141,481</u> |
| As at 31 December 2019 | <u>92,791</u> | <u>92,087</u> | <u>184,878</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12 DEFERRED TAX ASSET

| | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| | GBP | GBP |
| Opening balance | 948,261 | 395,731 |
| Origination and reversal of timing differences | 2,147,801 | 552,530 |
| | <u>3,096,062</u> | <u>948,261</u> |

The asset relates to timing differences that will be recovered against future profits in UK based Group companies.

13 TRADE AND OTHER RECEIVABLES

| | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| | GBP | GBP |
| Amounts owed by related party entities | 31,058,656 | 20,765,381 |
| Other debtors | 2,437,244 | 1,506,935 |
| Prepayment and accrued income | 24,067 | 93,255 |
| | <u>33,519,967</u> | <u>22,365,571</u> |

All trade receivable amounts are short term. The carrying value is considered a fair approximation of their fair value.

All balances are unsecured and interest free.

14 TRADE AND OTHER PAYABLES

| | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| | GBP | GBP |
| Trade creditors | 893,091 | - |
| Amount due to the related party entities | 30,710,455 | 15,764,137 |
| Other taxation and social security | 4,392 | - |
| Accruals and deferred income | 2,494,215 | 1,469,200 |
| | <u>34,102,153</u> | <u>17,233,337</u> |

All amounts are short term and the carrying value of trade payables, other payables and accruals are considered to be a reasonable approximation of fair value.

All balances are unsecured and interest free.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

15 INTEREST BEARING LOANS

| | 31 December 2020 | 31 December 2019 |
|---|-------------------------|-------------------------|
| | GBP | GBP |
| Interest bearing long-term loans | | |
| Amount due to related party entities | 49,871,031 | 46,980,090 |

Amounts owed to the related party entities attract interest at 6% (2019: 6%), with interest being added quarterly to the principal loan balance. The loan is unsecured and matures in July 2023.

16 SHARE CAPITAL

| | 31 December 2020 | 31 December 2019 |
|------------------------------------|-------------------------|-------------------------|
| | GBP | GBP |
| Allotted, issued and fully paid: | | |
| 100,000 ordinary shares of £1 each | 100,000 | 100,000 |

Ordinary shares

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Capital redemption reserve

This reserve relates to the nominal value of shares repurchased in prior accounting periods.

17 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent is Queensgate Fusion Holdco 1 S.a.r.l. The Company's shareholder Queensgate Generator Holding Limited, a company registered in England and Wales. Queensgate Generator S.a.r.l is parent undertaking of the smallest and the largest group for which consolidated accounts are drawn up, and of which the Company is a member.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

18 RELATED PARTY DISCLOSURE

The Company has taken advantage of the exemptions available under FRS101 not to disclose transactions with group companies where voting rights are wholly held within the group.

19 OPERATING LEASE COMMITMENTS

The Company has entered into the following commitments

| | 31 December 2020 | 31 December 2019 |
|-----------------|-------------------------|-------------------------|
| | GBP | GBP |
| Within one year | 115,000 | 134,280 |
| 2-5 years | 196,288 | - |
| | <u>311,288</u> | <u>134,280</u> |

20 EVENTS AFTER THE END OF THE REPORTING PERIOD

The COVID-19 outbreak in Q1 2020 has had a significant impact on the operations of the Group after the year end, as it has on hostels and hotels around the world. There were breaches to loan covenants for the main Group facility (for the quarter ending September 2020) and Italian facility (for the quarters ending June and September 2020).

Post year-end financing has been received from shareholders and local Government's (in the form of grants, payroll assistance and loan funding). Additional debt funding has also been received from new lenders. The Group is fortunate to benefit from the strong support of its lenders and its shareholders and the Group's main European and US facilities are extended and covenant waivers obtained where necessary.

There are no other events or matters required to be disclosed in the financial statements.