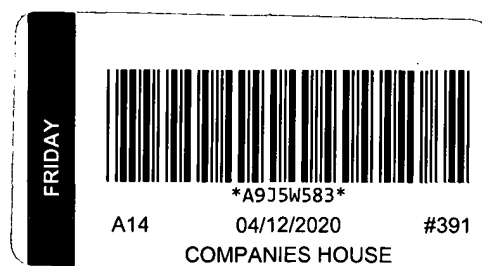


The Ritz Hotel, Limited

Annual report and financial statements

Registered number 0048125

31 December 2019



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Strategic Report

Principal activities

The principal activity of The Ritz Hotel, Limited ("the Company") is carried out overseas and consists of the business of owning and operating the Ritz Hotel in Paris.

Business review, key performance indicators and future developments

The Company has seen a stabilisation in its key performance indicators, the occupancy rate, average daily rate and revenue per available room compared to the prior year.

The company increased its loan with its parent undertaking by €11.5m, fully repaid the loan with Pfandbriefbank AG during the year and undertook a new loan with BNP.

The Directors consider the hotel's trading performance for the year to be satisfactory.

Principal risks and financial instruments

The principal risks that the Company is exposed to in the normal course of business are:

- competition from other luxury hotels in Paris and especially from new entrants to this market segment in Paris, and
- events that adversely affect domestic and international travel such as the COVID-19 pandemic.

Due to COVID-19, the hotel has been closed from March 2020 and reopened in Q3 2020. The Board have taken appropriate steps to manage the effect of COVID-19 through discussions with the various stakeholders including employees, lenders and suppliers.

On the basis of the above, the directors are satisfied to present the financial statements for the year ended 31 December 2019 on the going concern basis.

The impact of uncertainties due to the UK exiting the European Union

Uncertainties related to the effects of Brexit are relevant to understanding of the financial statements as Brexit is one of the most significant economic events for the UK. The Brexit process has been and remains subjected to many uncertainties therefore it is difficult to draw future conclusions. However, to date we have not identified any significant impact on the Company's business activities.

By order of the board



Keith LINDSAY
Director

22 September 2020

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2019.

Results

The loss for the year, after taxation, amounted to €30,423,000 (2018 - loss €5,400,000). The directors do not recommend the payment of a dividend.

Directors

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

Mr M Al Fayed	(Resigned 17 June 2019)
Mrs H Wathen-Fayed	(Resigned 17 June 2019)
Mr O Fayed	(Resigned 17 June 2019)
Mr F. J Klein	(Resigned 17 June 2019)
Mr R. Mauron	(Resigned 1 July 2019)
Mr K Lindsay	(Appointed 17 June 2019)
Mr A Longet	(Appointed 17 June 2019)
Mr B Taskapan	(Appointed 17 June 2019)

Political contributions

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

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

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

Auditor

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

By order of the board



Keith LINDSAY
Director

Third Floor, 20 Old Bailey
London
EC4M 7AN

22 September 2020

Statement of directors' responsibilities in respect of the annual report, the strategic report, the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RITZ HOTEL LIMITED

Opinion

We have audited the financial statements of The Ritz Hotel Limited ("the company") for the year ended 31 December 2019 which comprise The Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

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

Strategic report and directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RITZ HOTEL LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Frederic Caharel (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Date

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2019

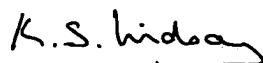
	<i>Note</i>	2019 €000	2018 €000
Turnover	3	89,048	85,254
Cost of sales		(47,907)	(49,489)
Gross profit		41,141	35,765
Other operating income	4	15,549	15,104
Administrative expenses		(55,716)	(43,924)
Operating profit	5	974	6,945
Other interest receivable and similar income	8	172	31
Interest payable and similar expenses	9	(31,569)	(12,398)
Intercompany balance written off	2	-	(789)
Loss before taxation		(30,423)	(6,211)
Tax on loss	10	-	811
Loss for the financial year		(30,423)	(5,400)
Other comprehensive income			
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		1,055	1,055
Total comprehensive loss for the year		(29,368)	(4,345)

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

Balance Sheet
at 31 December 2019

	Note	2019 €000	2018 €000	2018 €000	€000
Fixed assets					
Intangible assets	11	1,111			1,526
Tangible assets	12	374,588			396,118
Investments	13	387			387
			376,086		398,031
Current assets					
Stocks	14	10,338		10,145	
Debtors	15	21,086		20,763	
Cash at bank and in hand	16	<u>21,067</u>		<u>20,798</u>	
		52,491		51,706	
Creditors: amounts falling due within one year	17	<u>(21,494)</u>		<u>(29,926)</u>	
Net current assets			30,996		21,780
Total assets less current liabilities			407,083		419,811
Creditors: amounts falling due after more than one year	18	(564,181)		(545,599)	
Provisions for liabilities	19	<u>(3,745)</u>		<u>(4,632)</u>	
			(567,926)		(550,231)
Net liabilities			(160,843)		(130,420)
Capital and reserves					
Called up share capital	20	1,830			1,830
Share premium reserve		114,210			114,210
Revaluation reserve		33,095			34,150
Profit and loss account		<u>(309,978)</u>			<u>(280,610)</u>
Shareholders' deficit			(160,843)		(130,420)

These financial statements were approved by the board of directors on 22 September 2020 and were signed on its behalf by:



Keith LINDSAY
Director

Company registered number: 0048125

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

Statement of Changes in Equity

	Called up Share capital	Share Premium account	Revaluation reserve	Profit and loss account	Shareholders' deficit
	€000	€000	€000	€000	€000
Balance at 1 January 2018	1,830	114,210	35,205	(276,265)	(125,020)
Total comprehensive income for the period					
Loss for the financial year	-	-	-	(5,400)	(5,400)
Transfer	-	-	(1,055)	1,055	-
Total comprehensive income for the period	-	-	(1,055)	(4,345)	(5,400)
Balance at 31 December 2018	1,830	114,210	34,150	(280,610)	(130,420)
	€000	€000	€000	€000	€000
Balance at 1 January 2019	1,830	114,210	34,150	(280,610)	(130,420)
Total comprehensive income for the period					
Loss for the financial year	-	-	-	(30,423)	(30,423)
Transfer	-	-	(1,055)	1,055	-
Total comprehensive income for the period			(1,055)	(29,369)	(30,423)
Balance at 31 December 2019	1,830	114,210	33,095	(309,978)	(160,843)

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

Cash Flow Statement
for year ended 31 December 2019

	Note	2019 €000	2018 €000
Cash flows from operating activities			
Loss for the year		(30,423)	(5,400)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		22,606	22,449
Loss on acquisition of a subsidiary		-	789
Loss on disposal of tangible fixed assets		492	3
Interest receivable and similar income	7	(172)	(31)
Interest payable and similar charges	8	31,569	12,398
Corporation tax credit		-	(811)
Increase decrease in trade and other debtors		(323)	(2,698)
Increase in stocks		(193)	(571)
Decrease in trade and other creditors		(431)	(1,208)
Decrease in long term creditors		(359)	(8,040)
Decrease increase in provisions		(887)	(899)
Net cash from operating activities		21,879	15,981
Cash flows from investing activities			
Interest received	7	172	31
Acquisition of tangible and intangible fixed assets	10, 11	(1,153)	(3,041)
Acquisition of a subsidiary (net cash acquired)		-	144
Net cash from investing activities		(981)	(2,866)
Cash flows from financing activities			
Proceeds from third party loan		215,000	-
Repayment of third party loan		(212,000)	(13,000)
Net proceeds from intercompany loan		11,501	(6,700)
Interest paid		(15,230)	(14,095)
Loan fees paid		(19,900)	-
Net cash from financing activities		(20,629)	(33,795)
Net increase in cash and cash equivalents		269	(20,680)
Cash and cash equivalents at 1 January		20,798	41,478
Cash and cash equivalents at 31 December	16	21,067	20,798

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

Notes
(forming part of the financial statements)

1 Accounting policies

The Ritz Hotel, Limited (the "Company") is a company limited by shares and incorporated and domiciled in England, United Kingdom.

The Company is exempt by virtue of s405 of the Companies Act 2006 from the requirement to prepare group financial statements on the basis that the subsidiaries are not material for the purpose of giving a true and fair view. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is Euro. All amounts in the financial statements have been rounded to the nearest €1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Notwithstanding net liabilities of €160.8m as at 31 December 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the Company for the period to 30 September 2021, including reasonably possible downside scenarios.

As at 31 December 2019, the Company was financed by a combination of a secured bank loan of €215m with an external lender and cash of €21.1m. The Company also has a €384m of uncommitted, unsecured facility which, at the date of approval of these financial statements, had been drawn down by €324.5m. The bank loan includes three financial covenants, tested every quarter, and a waiver has been obtained by the Company from the external lender for all financial covenants up to and including 31 December 2021 testing.

The directors have separately considered the uncertainty as to the future impact of COVID-19 on the cash flow forecasts. At the date of the approval of the financial statements, the hotel has reopened.

In the specific severe but plausible downside scenario considered in relation to COVID-19, it has been assumed that the hotel will generate no room and food and beverage revenue until January 2021, with a gradual return to business as usual in September 2021, variable costs will follow the same trend as revenue and fixed costs will continue to be incurred as normal. This forecast has only included government support that has been substantively enacted at the date of approval of these financial statements and mitigating actions under the control of the Company directors, including the deferral of substantially all non-essential capital expenditure. Capital expenditure considered essential in nature has been included in the forecast. This forecast also includes the €16m received in July 2020 as part of a settlement agreement with a supplier (see note 24 for further information).

Furthermore, sensitivity analysis on the cash flow forecasts under numerous scenarios such as a reduced level of activity and a delay and/or non-payment of contractual receipts have indicated that the Company will be in cash surplus position throughout the going concern period.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

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

1.5 Tangible fixed assets

Tangible fixed assets are stated at less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|------------------------------------|-------------|
| • buildings | 50 years |
| • hotel improvements | 10-33 years |
| • plant and equipment | 5-25 years |
| • furniture, fixtures and fittings | 3-10 years |
| • motor vehicles | 3-5 years |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Revaluation

Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible assets

Intangible fixed assets comprise registration expenses incurred in relation to the protection of the Ritz trade mark worldwide. Registration expenses are payable every ten years and accordingly are amortised over this period. Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. The estimated useful lives are as follows:

- Software 5 years.
- Patents 10 years

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

1.8 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

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

1.9 Employee benefits

Post-retirement benefit

French resident companies are obliged to pay a one-time cessation of employment benefit to employees on their retirement. The obligation only arises if employees work for the Company up to their date of retirement. The rights obtained by employees are not transferable should they leave the Company. The obligation is based on length of service and level of remuneration at the date of retirement. Full provision has been made for the estimated liability as at 31 December 2019.

Notes (continued)

1 Accounting policies (continued)

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.11 Turnover

Turnover comprises room sales, food and beverages sales, club and spa and other sales to external customers (excluding TVA and other sales taxes). Consideration received from customers is only recorded as turnover to the extent that the company has performed its contractual obligations in respect of that consideration.

1.12 Other operating income

Other operating income from brand's royalties is recognised in the financial year in which the related services are delivered.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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

1.14 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

1 Accounting policies (continued)

1.15 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

- At the acquisition date, the company recognises goodwill at the acquisition date as:
- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

2 Acquisitions of businesses

Acquisitions in the previous period

On 30 November 2018, the Company acquired 100% of the assets and liabilities through a hive up of its subsidiary, the Ritz Health Club SARL. The company Ritz Health Club SARL is a fitness centre, massage and health club. The business contributed revenue of €251k and net loss of €109k to the revenue and net profit for the year after acquisition.

The acquisition had the following effect on the Company's assets and liabilities:

	Recognised values on acquisition €000
Acquiree's net assets at the acquisition date:	
Tangible fixed assets	239
Intangible assets	525
Stocks	97
Trade and other debtors	340
Cash	144
Trade and other creditors	(6,223)
	<hr/>
Net identifiable assets and liabilities	(4,878)
Total cost of business combination:	
Net identifiable assets and liabilities	(4,878)
Total consideration	-
Less: Provision on Intercompany balance	4,089
	<hr/>
Amount due from subsidiary undertaking	(789)
	<hr/>

The amount due from the Ritz Health Club SARL has been written off to the profit and loss account in the year ended 31 December 2018.

No acquisitions have been made during this period.

Notes (continued)

3 Turnover

	2019	2018
	€ 000	€ 000
Room sales	47,998	46,778
Food and beverage	31,086	31,311
Other	9,964	7,165
	<u>89,048</u>	<u>85,254</u>

Turnover arises from the hotel trade of the Company and is wholly generated in France.

4 Other operating income

	2019	2018
	€ 000	€ 000
Royalties	15,549	14,094
Release of unused provision	-	1,010
	<u>15,549</u>	<u>15,104</u>

5 Expenses and auditor's remuneration

Included in Operating losses are the following:

	2019	2018
	€ 000	€ 000
Amortisation - intangible fixed assets	572	649
Depreciation of tangible fixed assets	22,034	21,800
Operating lease - Plant and machinery	56	48
Operating lease - Other	767	1,000
(Loss)/profit on foreign currency translation	4	(654)
Auditor's remuneration	137	134
Non-audit services payable to the Company's auditor	-	35

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of Employees	
	2019	2018
Management	8	9
Administration	71	60
Other	546	550
	<u>625</u>	<u>619</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	€ 000	€ 000
Wages and salaries	31,045	26,946
Social security	12,443	11,450
Provision for retirement indemnity obligation	(161)	113
Additional profit sharing	27	314
	<u>43,354</u>	<u>38,823</u>

7 Directors' remuneration

Remuneration of the highest paid director:

	2019	2018
	€ 000	€ 000
Remuneration	1,647	563
Benefits in kind	192	276
Provision for retirement indemnity obligation	(219)	6
	<u>1,620</u>	<u>845</u>

No other director received emoluments for services to the Company. As at 31 December 2019, the Director is no longer part of the Company and has retired. His retirement benefits were paid to him in April 2019.

Notes (continued)

8 Interest receivable and similar income

	2019	2018
	€ 000	€ 000
On deposits held with third parties	172	31
Total other interest receivable and similar income	<u>172</u>	<u>31</u>

9 Interest payable and similar expenses

	2019	2018
	€ 000	€ 000
Interest expense on third party loan	6,788	7,543
Loan arrangement fees	19,900	-
Interest expense on intercompany loan	4,881	4,855
Total other interest payable and similar charges	<u>31,569</u>	<u>12,398</u>

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of €6,788,000 (2018: €7,543,000) and on all other loans of €4,881,000 (2018: €4,855,000) was payable to group undertakings. The Company entered into a new facility during the year and €17,000,000 was paid to exit the previous facility and €2,900,000 was paid to enter into the new facility.

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2019	2018
	€ 000	€ 000
<i>Current tax</i>		
Total current tax	-	811
<i>Deferred tax</i>		
Total deferred tax	-	-
Total tax	<u>-</u>	<u>811</u>

Notes (continued)

10 Taxation (continued)

Reconciliation of effective tax rate

	2019	2018
	€ 000	€ 000
Profit or Loss for the year	(30,423)	(5,400)
Total tax credit	-	(811)
	<u> </u>	<u> </u>
Profit excluding taxation	(30,423)	(6,211)
	<u> </u>	<u> </u>
Tax using the applicable corporation tax rate of 33,33% (2018:33,33%)	(10,141)	(2,070)
	<u> </u>	<u> </u>
Difference between French tax account and UK GAAP Tax Account	3,085	428
Increase in tax losses carried forward	7,056	831
	<u> </u>	<u> </u>
Total tax credit included in profit or loss	-	(811)
	<u> </u>	<u> </u>

Deferred tax asset

	2019	2018
	€ 000	€ 000
Deferred tax asset at beginning of year	64,454	62,653
Additions during period	-	-
Differences between French tax accounting and UK GAAP	3,085	428
Reduction in tax losses carried forward	7,056	831
	<u> </u>	<u> </u>
Potential deferred tax asset at end of year	74,595	63,912
Provision against recoverability	(74,595)	(63,912)
	<u> </u>	<u> </u>
Deferred tax asset at end of year	-	-
	<u> </u>	<u> </u>

The elements of the potential deferred tax asset are as follows:

Tax losses carried forward	57,015	49,681
Other (DTA)	17,580	14,231
	<u> </u>	<u> </u>
Deferred tax asset at end of year	74,595	63,912
	<u> </u>	<u> </u>

Deferred tax assets are calculated using the corporation rate at which they are expected to be utilised (33.33%). The Directors have not recognised the deferred tax asset due to the uncertainty as to when sufficient profits will be generated to recover the potential asset.

Notes (continued)

11 Intangible assets and goodwill

	Patent and trade- marks	Computer Software	Development costs	Total
	€ 000	€ 000	€ 000	€ 000
Cost				
Balance at 1 January 2019	10,489	2,632	365	13,486
Additions	-	157	-	157
Balance at 31 December 2019	10,489	2,789	365	13,643
Amortisation and impairment				
Balance at 1 January 2019	9,833	1,762	365	11,960
Amortisation for the year	119	453	-	572
Balance at 31 December 2019	9,952	2,215	365	12,532
Net book value				
At 1 January 2019	656	870	-	1,526
At 31 December 2019	537	574	-	1,111

12 Tangible fixed assets

	Land and buildings	Plant and Equipment	Fixtures & fittings	Furniture	Other	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Cost						
Balance at 1 January 2019	480,743	1,169	1,632	28,457	2,820	514,821
Additions	287	172	-	359	179	997
Disposals	(479)	-	-	(30)	-	(509)
Balance at 31 December 2019	480,551	1,341	1,632	28,786	2,997	515,309
Depreciation						
Balance at 1 January 2019	102,981	520	262	13,249	1,691	118,703
Depreciation charge for the year	17,277	200	216	3,880	462	22,035
Disposals	-	-	-	(17)	-	(17)
Balance at 31 December 2019	120,258	720	478	17,112	2,153	140,721
Net book value						
At 1 January 2019	377,762	649	1,370	15,208	1,129	396,118
At 31 December 2019	360,294	620	1,154	11,674	846	374,588

Notes (continued)

13 Fixed asset Investments

The Company purchased 50% of the ordinary share capital of the Ritz Products (U.K.) Limited on 12th June 2014. The carrying value of this investment as at 31 December 2019 is €387,203 (2018: €387,203).

Balances and transactions between the Ritz Health Club SARL and other group companies are detailed in note 20. No dividends were received from the Ritz Health Club SARL or are receivable as at 31 December 2019 (2018: £Nil).

	Participating interests € 000	Total € 000
Cost		
At beginning of year	387	387
At end of year	387	387
Net book value		
At 31 December 2019	387	387
At 31 December 2018	387	387

The Company has the following investments in subsidiaries and associates:

	Aggregate of capital and reserves € 000	Profit or loss for the year € 000	Country of incorporation	Class of shares held	Ownership 2019 %	Ownership 2018 %
Ritz Health Club SARL	-	-	France	Ordinary	100	100
Ritz Product (U.K) Limited	151	9	U.K	B' Ordinary	50	50

The Company is exempt by virtue of s405 of the Companies Act 2006 from the requirement to prepare group financial statements on the basis that the subsidiaries are not material for the purpose of giving a true and fair view.

14 Stocks

	2019 € 000	2018 € 000
Raw materials and consumables	10,338	10,145

Notes (continued)

15 Debtors

	2019	2018
	€ 000	€ 000
Trade debtors	1,822	3,340
Other debtors	13,143	12,187
Prepayments and accrued income	6,121	5,236
	<u>21,086</u>	<u>20,763</u>
Due within one year	20,914	20,592
Long term deposits (due greater than one year)	172	171
	<u>21,086</u>	<u>20,763</u>

16 Cash and cash equivalents

	2019	2018
	€ 000	€ 000
Cash at bank and in hand	21,067	20,798
Cash and cash equivalents per cash flow statements	<u>21,067</u>	<u>20,798</u>

Restrictions on cash and cash equivalents held include a total amount of €1,278k (2018: €4,602k) deposited with a bank in France in accordance with its contractual arrangements with third parties.

17 Creditors: amounts falling due within one year

	2019	2018
	€ 000	€ 000
Bank loans and overdrafts	-	8,000
Trade creditors	6,290	10,155
Other taxation and social security	4,847	4,768
Other creditors	1,875	-
Accruals and deferred Income	8,482	7,003
	<u>21,494</u>	<u>29,926</u>

Notes (continued)

18 Creditors: amounts falling after more than one year

	2019	2018
	€ 000	€ 000
Bank loans and overdrafts	215,000	204,000
Long term loan from parent undertaking	324,580	316,639
Other creditors	1,354	1,381
Accruals and deferred Income	23,247	23,579
	<u>564,181</u>	<u>545,599</u>

On July 31st 2014 a loan agreement was signed between RH Paris Sarl and The Ritz Hotel, Limited totalling €384 million with the following conditions:

- The associated interest rate is EUR LIBOR rate 3 months + 1.5%.
- Repayment date not earlier than two years from the date of reopening of the hotel.
- €324,5million drawn up as at 31 December 2019 (2018: €316.6 million), including a repayment €2.9 million and an increase of €14 million in the financial year ended 31 December 2019.

On August 1st 2015 a loan agreement was signed between Deutsche Pfandbriefbank AG and The Ritz Hotel, Limited totalling €213 million and €12 million credit facility to drawn down for interest charges in the first year. The following conditions applied:

- The associated interest rate is 3.06% of which 0.96% is the fixed element and 2.10% is the variable element.

The loan has been fully repaid on July 31st 2019 with a fee of €17,000,000 for early repayment (please see note 9).

On July 31st 2019 a loan agreement was signed between BNP Paribas and The Ritz Hotel Limited totalling €215 million with the following condition:

- The associated interest rate is 1.25%.

Long term loan from parent undertaking and bank loan are payable as follows:

	2019	2018
	€ 000	€ 000
Less than one year	-	8,000
Between one and five years	215,000	32,000
More than five years	324,580	488,639
	<u>539,580</u>	<u>548,339</u>

Notes (continued)

19 Provisions

	Post-retirement benefits	Litigation Provision	Total
	€ 000	€ 000	€ 000
Balance at 1 January 2019	1,820	2,812	4,632
Provisions made during the year	133	1,959	1,959
Provisions used during the year	(294)	(2,685)	(2,846)
Provisions reversed during the year	-	-	-
Balance at 31 December 2019	1,659	2,086	3,745

Post-retirement benefits

The provision for retirement indemnities as at 31 December 2019, is €1,658,543 (2018: €1,820,000).

French resident companies are obliged to pay a lump sum benefit to employees on their retirement. The benefits are due only if employees work for the Company up to their retirement. The rights obtained by employees are not transferable should they leave the Company. The benefit is based in length of services and level of remuneration at the date of retirement.

There is no fund created for these benefits and the expected amount is not calculated by an actuary. The timing of the payment of these liabilities will vary by employee. The principal assumptions used to calculate the obligation are as follows:

Age of retirement	67 years
Discount rate	0,85%
Expected salary increase	2%
Profile of employees to each retirement.	

Litigation provision

The provisions for litigation at 31 December 2019 of € 2,086,000 (2018: €2,812,000) represents management's best estimate of the likely cost to the Company for litigation currently in progress.

20 Share capital

	2019	2018
	€ 000	€ 000
Authorised		
2,000,000 ordinary shares of £1 each	2,000	2,000
Allotted called up and fully paid		
1,081,542 ordinary shares of £1 each	1,781	1,781
30,515 ordinary shares of £1 each	49	49
	1,830	1,830

Notes (continued)

20 Share capital (continued)

The opening share capital was converted into French francs at the rate of exchange at 31 December 1971 that is FF13.31 (€2.03) to £1 sterling. As a result of the acquisition of the trade and assets of Champli S A during the year ended 31 December 2000, The Ritz Hotel, Limited share capital increased by 30,515 shares of £1 each. This increase in share capital was converted into French francs at the rate of exchange of FF10.551 (€1.608) to £1.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings	Land and Buildings	Other	Other
	2019	2018	2019	2018
	€ 000	€ 000	€ 000	€ 000
Less than one year	518	630	47	61
Between two and five years	2,072	2,519	1	14
More than five year	2,607	2,679	-	-
	<u>5,197</u>	<u>5,828</u>	<u>48</u>	<u>75</u>

During the year, €822,000 was recognised as an expense in the profit and loss account in respect of operating leases (2018: €1,048,000).

22 Related parties

During the year, the Company entered into transactions with certain other parties which are under the common control of the Company's ultimate controlling parties. These parties comprise Immazur SARL, RHC SARL and Ritz (Paris) Holdings Limited. These transactions relate principally to payments on behalf of the related party by the Company subsequently reimbursed or, in the case of Ritz (Paris) Holdings Limited, advances on intercompany loan account. Amounts in respect of the year ended 31 December 2019 are as follows:

	Receivables outstanding		Creditors outstanding	
	2019	2018	2019	2018
	€ 000	€ 000	€ 000	€ 000
Ritz (PARIS) Holdings Limited	-	-	324,580	316,639
Ritz Products UK	387	387	-	-
Immazur SARL	97	362	-	-
	<u>484</u>	<u>749</u>	<u>324,580</u>	<u>316,639</u>

Notes (continued)

22 Related parties (continued)

	Other expenses		Finance expense		Turnover	
	2019	2018	2019	2018	2019	2018
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Ritz Health Club SARL	-	142	-	-	-	610
Ritz (PARIS) Holdings Limited	-	-	21,859	9,733	-	-
Immazur SARL	126	263	-	-	126	267
	<u>126</u>	<u>405</u>	<u>21,859</u>	<u>9,733</u>	<u>126</u>	<u>877</u>

The balances outstanding at 31 December 2019 and 31 December 2018 report amounts due (from)/to Mr Al Fayed of €Nil and €19,050 respectively.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to €3,443,153 (2018: €2,523,467).

23 Ultimate parent company and parent company of larger group

The Company's immediate joint-parent undertakings are:

- Ritz (Paris) Holdings Limited, registered in Jersey, and
- R H Paris 1 SARL, registered in Luxembourg

The entire share capital of the joint-parent undertakings is held for the benefit of Mr M Al Fayed and his family, the ultimate controlling parties. Consolidated financial statements of the Ritz (Paris) Holdings Limited and R H Paris 1 SARL are not available for public inspection.

24 Subsequent events

On 9 July 2020, the Company reached an agreement with Bouygues to settle an ongoing dispute. As part of the settlement, the Company has received €16m.