

The Ritz Hotel, Limited

Annual report and financial statements

Registered number 00048125

31 December 2017

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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 and future developments

In early 2011, the Directors decided, after consulting with its employees, to proceed with a full refurbishment programme to upgrade the hotel's facilities to a standard that would enable the hotel to enhance its reputation as one of the best luxury hotels in Paris which necessitated a temporary closure of the hotel. The refurbishment commenced in November 2011 and the hotel was closed as of 1 August 2012. The hotel re-opened on 9 June 2016 except for some 44 rooms damaged by fire on 19 January 2016 which have been completed in December 2017.

2017 activity has been very successful. Occupancy of 76% and average daily rate of €1,416 rank Ritz Paris Hotel number one of its competitive set. The Ritz Paris is operating at a RevPAR of €1,083.

The cash outflows associated with the refurbishment programme, including capital, redundancy and re-opening costs were financed by a combination of loans from parties under the control of the shareholders and by a bank loan (see note 16).

As of the date of this report the company has signed loan agreements with parties related to the shareholders for funds totalling €384 million, with €323.3 million drawn down by the company as at 31 December 2017.

A loan was granted to the company on 31 July 2015 by the Deutsche Pfandbriefbank AG for a total amount of €225 million. The company has drawn down the total loan amount by the end of 2016. The total amount of the loan has been reduced to €212 million by a repayment of €13 million by the company in April 2018.

Principal risks, key performance indicators and financial instruments

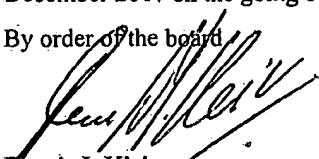
The principal risks that the Company is exposed to in the normal course of business are:

- 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, including the current economic crisis.

The Directors consider the hotel's trading performance since its re-opening to be satisfactory.

On the basis of the above, the directors are satisfied to present the financial statements for the year ended 31 December 2017 on the going concern basis.

By order of the board


Frank J. Klein
Director

August 14th 2018

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2017.

Results

The loss for the year, after taxation, amounted to €12,677,000 (2016: €40,423,000). 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

Mr A Fayed

Mrs H J Wathen-Fayed

Mr O A M Al Fayed

Mr F J Klein

Mr R Mauron

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2016: €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.

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



Frank J Klein
Director

14 South Street
London
W1K 1DF

August 14th 2018

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 2017 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement 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 2017 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

Independent auditor's report to the members of The Ritz Hotel Limited (continued)

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.

Andrew Turner

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
E14 5GL
London
United Kingdom

Date: 20 August 2018

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2017

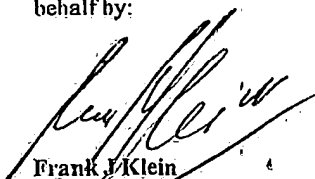
	<i>Note</i>	2017 €000	2016 €000
Turnover	2	71,585	37,889
Cost of sales		(38,899)	(21,879)
Gross profit		32,686	16,010
Other operating income		12,424	11,736
Administrative expenses		(46,100)	(57,523)
Operating loss	3	(990)	(29,777)
Interest receivable and similar income	6	40	40
Interest payable and similar charges	7	(12,738)	(11,413)
Loss before taxation		(13,688)	(41,150)
Tax on loss	8	1,011	727
Loss for the financial year		(12,677)	(40,423)
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		(11,622)	(39,368)

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

Balance Sheet
at 31 December 2017

	<i>Note</i>	2017 €000	2016 €000
Fixed assets			
Intangible assets	9	1,560	2,382
Tangible assets	10	414,731	405,250
Investments	11	387	387
		<u>416,678</u>	<u>408,019</u>
Current assets			
Stocks	12	9,574	7,811
Debtors	13	18,065	44,081
Cash at bank and in hand	14	<u>41,478</u>	<u>35,662</u>
		69,117	87,554
Creditors: amounts falling due within one year	15	<u>(31,945)</u>	<u>(36,104)</u>
Net current assets		37,172	51,450
Total assets less current liabilities		<u>453,850</u>	<u>459,469</u>
Creditors: amounts falling due after more than one year	16	<u>(573,339)</u>	<u>(566,771)</u>
Provisions for liabilities	17	<u>(5,531)</u>	<u>(5,041)</u>
		(578,870)	(571,812)
Net liabilities		<u>(125,020)</u>	<u>(112,343)</u>
Capital and reserves			
Called up share capital	18	1,830	1,830
Share premium reserve		114,210	114,210
Revaluation reserve		35,205	36,260
Profit and loss account		<u>(276,265)</u>	<u>(264,643)</u>
Shareholders' deficit		<u>(125,020)</u>	<u>(112,343)</u>

These financial statements were approved by the board of directors on August 14th 2018 and were signed on its behalf by:


Frank J. Klein
Director

Company registered number: 48125

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 2016	1,830	114,210	37,315	(225,275)	(71,920)
Total comprehensive income for the period					
Loss for the financial year	-	-	-	(40,423)	(40,423)
Transfer	-	-	(1,055)	1,055	-
Total comprehensive income for the period	-	-	(1,055)	(39,368)	(40,423)
Balance at 31 December 2016	1,830	114,210	36,260	(264,643)	(112,343)

	Called up Share capital	Share Premium account	Revaluation reserve	Profit and loss account	Shareholders' deficit
	€000	€000	€000	€000	€000
Balance at 1 January 2017	1,830	114,210	36,260	(264,643)	(112,343)
Total comprehensive income for the period					
Loss for the financial year	-	-	-	(12,677)	(12,677)
Transfer	-	-	(1,055)	1,055	-
Total comprehensive income for the period	-	-	(1,055)	(11,622)	(12,677)
Balance at 31 December 2017	1,830	114,210	35,205	(276,265)	(125,020)

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

Cash Flow Statement
for year ended 31 December 2017

	Note	2017 €000	2016 €000
Cash flows from operating activities			
Loss for the year		(12,677)	(40,423)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		29,498	40,967
Tangible fixed assets written off		-	4,853
Interest receivable and similar income	6	(40)	(40)
Interest payable and similar charges	7	12,738	11,413
Income tax credit		(1,011)	(727)
		<hr/>	<hr/>
Decrease/(increase) in trade and other debtors		19,939	(21,214)
Increase in stocks		(1,765)	(4,704)
Decrease in trade and other creditors		2,930	1,204
Increase/(decrease) in long term creditors		2,253	(225)
Increase in provisions		491	1,219
		<hr/>	<hr/>
Net cash from operating activities		52,356	(6,950)
		<hr/>	<hr/>
Cash flows from investing activities			
Interest paid	7	(12,738)	(14,003)
Interest received	6	40	40
Acquisition of tangible and intangible fixed assets	9, 10	(38,157)	(59,787)
		<hr/>	<hr/>
Net cash from investing activities		(50,855)	(73,750)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from new loan	16	5,398	68,732
Repayment of intercompany loan		(1,083)	(57,640)
		<hr/>	<hr/>
Net cash from financing activities		4,315	11,902
		<hr/>	<hr/>
Net increase in cash and cash equivalents		5,816	(69,608)
Cash and cash equivalents at 1 January		35,662	105,270
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	14	41,478	35,662
		<hr/>	<hr/>

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

The Directors have sought and received confirmation from the shareholders that sufficient funds will be made available to the company to cover initial working capital facilities post re-opening whilst the hotel takes time to re-build its anticipated sustainable levels of business activity. In addition, the Directors have confirmed that the terms and conditions of the loans have been structured in a manner to enable the hotel to meet its obligations as they fall due once the post refurbishment levels have stabilised. For details of loans from parties related to the shareholders and Deutsche Pfandbriefbank, AG see note 16. On the basis of the confirmations received, the Directors are satisfied to present the financial statements for the year ended 31 December 2017 on the 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.

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.

Notes (continued)

1 Accounting policies (continued)

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.

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 life of Software is 5 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.

Notes (continued)

1 Accounting policies (continued)

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 2017.

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.

Notes (continued)

1 Accounting policies (continued)

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.

1.14 Expenses (continued)

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.

1.15 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)

2 Turnover

	2017	2016
	€000	€000
Room sales	38,747	19,797
Food and beverage	24,252	12,820
Other	8,586	5,272
	<u>71,585</u>	<u>37,889</u>

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

3 Expenses and auditor's remuneration

Included in Operating losses are the following:

	2017	2016
	€000	€000
Amortisation - intangible fixed assets	950	731
Depreciation of tangible fixed assets	18,341	11,376
Impairment of fixed assets	-	28,860
Insurance proceeds	-	(25,250)
Operating lease - Plant and machinery	43	76
Operating lease - Other	997	1,583
Loss / (Profit) on foreign currency translation	257	67
Auditor's remuneration	125	132
	<u></u>	<u></u>

4 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	
	2017	2016
Management	8	8
Administration	65	70
Other	515	457
	<u>588</u>	<u>535</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	€000	€000
Wages and salaries	24,944	24,101
Social security costs	10,280	10,853
Provision for retirement indemnity obligation	141	199
	<u>35,365</u>	<u>35,153</u>

Notes (continued)

5 Directors' remuneration

Remuneration of the highest paid director:

	2017	2016
	€000	€000
Remuneration	503	520
Benefits in kind	186	159
Provision for retirement indemnity obligation	4	2
	<u>693</u>	<u>681</u>

No other director received emoluments for services to the Company. Company pension contributions of €212,533 (2016: €208,344) were made to a money purchase scheme on his behalf.

6 Interest receivable and similar income

	2017	2016
	€000	€000
On deposits held with third parties	40	40
Total other interest receivable and similar income	<u>40</u>	<u>40</u>

7 Interest payable and similar charges

	2017	2016
	€000	€000
On bank loans and overdrafts repayable within one year	7,883	6,002
Interest payable to parent company within one year	4,855	5,411
Total other interest payable and similar charges	<u>12,738</u>	<u>11,413</u>

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of €7,883,000 (2016: €6,002,000) and on all other loans of €4,855,000 (2016: €5,411,000). Of the above amount €4,855,000 (2016: €5,411,000) was payable to group undertakings.

Notes (continued)

8 Taxation

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

	2017 €000	2016 €000
<i>Current tax</i>		
Total current tax	1,011	727
<i>Deferred tax</i>		
Total deferred tax	-	-
 Total tax	 1,011	 727

Reconciliation of effective tax rate

	2017 €000	2016 €000
Loss for the year	(12,677)	(40,423)
Total tax credit	(1,011)	(727)
 Profit excluding taxation	 (13,688)	 (41,150)
Tax using the UK corporation tax rate of 33.33 % (2016: 33.33 %)	(4,562)	(13,715)
Differences between French tax account and UK GAAP Tax Account	1,645	2,086
Increase in tax losses carried forward	2,580	10,902
 Total tax credit included in profit or loss	 (337)	 (737)

Deferred tax asset

	2017 €000	2016 €000
Deferred tax asset at the beginning of the year	58,428	44,954
Differences between French tax account and UK GAAP Tax Account	1,645	2,572
Reduction in tax losses carried forward	2,580	10,902
 Potential deferred tax asset at the end of the year	 62,653	 58,428
Provision against recoverability	(62,653)	(58,428)
 Deferred tax asset at the end of the year	 -	 -

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

Tax losses carried forward	48,851	46,270
Other	13,802	12,158
 Deferred tax asset at the end of the year	 62,653	 58,428

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)

9 Intangible assets and goodwill

	Patents and trade- marks €000	Computer Software €000	Development costs €000	Total €000
Cost				
Balance at 1 January 2017	9,989	2,265	365	12,619
Additions	-	128	-	128
Balance at 31 December 2017	<u>9,989</u>	<u>2,393</u>	<u>365</u>	<u>12,747</u>
Amortisation and impairment				
Balance at 1 January 2017	9,157	715	365	10,237
Amortisation for the year	506	444	-	950
Balance at 31 December 2017	<u>9,663</u>	<u>1,159</u>	<u>-</u>	<u>11,187</u>
Net book value				
At 1 January 2017	832	1,550	-	2,382
At 31 December 2017	<u>326</u>	<u>1,234</u>	<u>-</u>	<u>1,560</u>

10 Tangible fixed assets

	Land and buildings €000	Plant and Equipment €000	Fixtures & fittings €000	Furniture €000	Other €000	Assets Under construction €000	Total €000
Cost							
Balance at 1 January 2017	444,715	620	228	29,523	2,180	10,210	487,476
Additions	25,337	349	235	1,539	362	-	27,822
Transfers out/reallocation	10,210	-	-	-	-	(10,210)	-
Balance at 31 December 2017	<u>480,262</u>	<u>969</u>	<u>463</u>	<u>31,062</u>	<u>2,542</u>	<u>-</u>	<u>515,298</u>
Depreciation							
Balance at 1 January 2017	71,103	229	25	9,762	1,107	-	82,226
Depreciation charge for the year	14,611	120	59	3,252	299	-	18,341
Balance at 31 December 2017	<u>85,714</u>	<u>349</u>	<u>84</u>	<u>13,014</u>	<u>1,406</u>	<u>-</u>	<u>100,567</u>
Net book value							
At 1 January 2017	373,612	391	203	19,761	1,073	10,210	405,250
At 31 December 2017	<u>394,548</u>	<u>620</u>	<u>379</u>	<u>18,048</u>	<u>1,136</u>	<u>-</u>	<u>414,731</u>

Notes (continued)

11 Fixed asset Investments

The Company owns 100% of the ordinary share capital of the Ritz Health Club (RHC) SARL, a company incorporated in France under French law. The carrying value of this investment as at 31 December 2017 is €Nil (2016: €Nil). 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 2017 is €387,203 (2016: €387,203).

Balances and transactions between the RHC and other group companies are detailed in note 19. No dividends were received from the RHC or are receivable as at 31 December 2017 (2016: £Nil).

	Participating interests €000	Total €000
Cost		
At beginning of year	387	387
At end of year	<u> </u>	<u> </u>
Net book value		
At 31 December 2017	387	387
At 31 December 2016	<u>387</u>	<u>387</u>

The Company has the following investments in subsidiaries and associates:

	Aggregate of capital and reserves	Profit or loss for the year	Country of incorporation	Class of shares held	Ownership 2017	Ownership 2016
	€000	€000			%	%
Ritz Health Club (RHC) SARL	(4,089)	(226)	France	Ordinary	100	100
Ritz Products (U.K.) Limited	247	132	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.

Notes (continued)

12 Stocks

	2017 €000	2016 €000
Raw materials and consumables	9,574	7,811

13 Debtors

	2017 €000	2016 €000
Trade debtors	2,534	3,179
Other debtors	9,251	34,201
Prepayments and accrued income	5,932	6,454
Amounts due from group undertakings	348	247
	<u>18,065</u>	<u>44,081</u>
Due within one year	17,944	43,264
Long term deposits (due greater than one year)	121	817
	<u>18,065</u>	<u>44,081</u>

14 Cash and cash equivalents/ bank overdrafts

	2017 €000	2016 €000
Cash at bank and in hand	41,478	35,662
Cash and cash equivalents per cash flow statements	<u>41,478</u>	<u>35,662</u>

Notes (continued)

15 Creditors: amounts falling due within one year

	2017 €000	2016 €000
Trade creditors	19,607	15,723
Amounts owed to group undertakings	-	9,500
Other taxation and social security	5,513	4,629
Other creditors	2,265	-
Accruals and deferred income	4,560	6,252
	<u>31,945</u>	<u>36,104</u>

16 Creditors: amounts falling after more than one year

	2017 €000	2016 €000
Bank loans and overdrafts	225,000	219,602
Long term loan from parent undertaking	323,339	321,832
Other creditors	1,090	1,094
Accruals and deferred income	23,910	24,243
	<u>573,339</u>	<u>566,771</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.
- €323.3 million drawn down as at 31 December 2017, including a repayment €57.6 million in the financial year ended 31 December 2016 (2015: €382.1 million).

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.
- €213 million drawn down as at 31 December 2017 (2016: €213 million) with regards to the loan.
- €12 million drawn down as at 31 December 2017 (2016: €7.7 million) from the credit facility.

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

	2017 €000	2016 €000
Less than one year	8,000	8,000
Between one and five years	32,000	32,000
More than five years	508,339	504,024
	<u>548,339</u>	<u>544,024</u>

Notes (continued)

17 Provisions

	Post-retirement benefits €000	Litigation provision €000	Total €000
Balance at 1 January 2017	1,566	3,475	5,041
Provisions made during the year	140	350	490
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	<u>1,706</u>	<u>3,825</u>	<u>5,531</u>

Post-retirement benefits

The provision for retirement indemnities as at 31 December 2017, discounted at 1.30% is €1,706,000 (2016: €1,566,000).

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	1.30%
Expected salary increase	2%
Profile of employees to each retirement	

Under the refurbishment programme all current employees will be offered a position of employment on the full re-opening of the hotel and the provision for post-retirement benefits reflects, inter alia, these arrangements.

Litigation provision

The provisions for litigation at 31 December 2017 of €3,825,000 (2016: €3,475,000) represents management's best estimate of the likely cost to the Company for litigation currently in progress.

Notes (continued)

18 Share capital

	2017 €000	2016 €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
	<u>1,830</u>	<u>1,830</u>

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 sterling.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 2017 €000	Land and Buildings 2016 €000	Other 2017 €000	Other 2016 €000
Less than one year	1,161	1,135	53	39
Between two and five years	2,330	3,746	73	107
More than five years	2,915	-	-	-
	<u>6,406</u>	<u>4,881</u>	<u>126</u>	<u>146</u>

During the year, €1,193,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: €1,659,000).

Notes (continued)

20 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 2017 are as follows:

	Receivables outstanding		Creditors outstanding	
	2017 €000	2016 €000	2017 €000	2016 €000
R.H.C SARL	4,437	4,110	-	-
Ritz (PARIS) Holdings Limited	-	-	323,339	324,422
Ritz Products UK	387	387	-	-
Immazur S.A.R.L.	562	-	-	-
	<u>5,386</u>	<u>4,497</u>	<u>323,339</u>	<u>324,422</u>

	Other expenses 2017 €000	Finance expenses 2016 €000	Finance expenses 2017 €000	2016 €000	Turnover 2017 €000	2016 €000
R.H.C SARL	149	76	-	-	580	221
Ritz (PARIS) Holdings Limited	-	-	4,855	5,411	-	-
Ritz Products UK	-	-	-	-	-	-
Immazur S.A.R.L.	249	-	-	-	248	6
	<u>398</u>	<u>76</u>	<u>4,855</u>	<u>5,411</u>	<u>828</u>	<u>227</u>

The balances outstanding at 31 December 2017 and 31 December 2016 report amounts due to Mr Al Fayed of €1,475 and €14,223 respectively.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to €2,552,282 (2016: €2,100,010).

21 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.