

The Ritz Hotel, Limited

Annual report and financial statements

Registered number 0048125

31 December 2022



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Strategic Report

The directors present their strategic report for the year ended 31 December 2022.

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's Key Performance Indicators of occupancy rates, average daily rates and revenue per available room were higher when compared to previous year. Average daily rate started to incredibly increase as of June (+20%). Full Year ADR was the highest in the hotel history thanks to very high demand mainly coming from high end US customers.

Statement on section 172 Companies Act 2006

The board has taken and continues to take decisions for the long term, and its aim is always to uphold the highest standards of service and conduct. The Company's decisions for the long term are made via careful and continuous communication with its stakeholders.

The views and needs of the stakeholders are considered by the board throughout the year by information provided by management of the Company and by direct engagement with stakeholders.

The board understands that its business can only grow and prosper over the long term if it understands and respects the needs and views of its guests, customers, colleagues and the communities in which it operates, as well as its suppliers, the environment and the shareholders to whom it is accountable.

The board has taken action to embed consideration of stakeholder interests within the Company's culture and operating model of the business by providing training to the relevant management team members. In order to achieve the long-term vision of the Company, the board communicates with the managers regularly in order to direct the plan.

The board ensures that the Section 172 Companies Act 2006 requirements are met, and the interests of the stakeholder groups are always considered, by:

- (a) setting an annual, long-term business plan presenting the relevant standing agenda;
- (b) reviewing the business plan throughout board meetings;
- (c) formal consideration of any of factors which are relevant to any major decisions taken by the board throughout the year;
- (d) having a risk management process.


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, however special attention is paid on a daily and weekly basis through STR reporting, benchmark analysis and during the revenue meeting,
- events that adversely affect domestic and international travel. The hotel continues to expand its client base and maintain relationships with the various markets in order to be able to react quickly to any tensions in certain regions,
- inflation rate and cost of supplies, including utilities. Contracts and rates are regularly reviewed and questioned in order to also benefit from price reductions when inflation falls. On the loan side, interest rates are following inflation however interest rate swap is in place in order to mitigate the existing risk,

On the basis of the above, the directors are satisfied to present the financial statements for the year ended 31 December 2022 on the going concern basis.

By order of the board


Keith Lindsay
Director

15 May 2023

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2022.

Results

The profit for the year, after taxation, amounted to €26,062,000 (2021 - profit €7,650,000). The directors do not recommend the payment of a dividend.

Directors

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

Mr K Lindsay

Ms N Bader Messian resigned on 31 March 2023 and replaced by Pierre Jochem on April 1st 2023

Mr N Killen (Appointed on 1 January 2022)

Mr C Ranque (Appointed on 1 October 2022)

Mr A Longet (Resigned on 31 December 2021)

Mr B Taskapan (Resigned on 31 December 2021)

Going concern

The Company reviews its cash position regularly. Occupancy rates, average daily rates and revenue per available room are carefully monitored and the Company has increased its marketing efforts. The directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future on the grounds that the Company has sufficient access to cash for working capital. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Employment and training matters

The Company currently employs disabled persons. Any disabled employees are offered the same opportunities for training and advancement as able bodied employees. The Company holds regular staff meetings to keep its employees informed about the affairs, policy and performance of the Company.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

Streamlined Energy and Carbon Reporting (SECR)

The Company has not included SECR reporting on the basis that it did not consume in the UK more than 40,000 kilowatt-hours (kWh) of energy in the year.

Risk exposure and management

The Company held with the Holding management team a bi-weekly risk management call discussing any risks including Legal, Financial and Human/Staff risks as well as risk on reputation. Furthermore, the monthly financial report including analysis and detailed comments on the activity is shared by the hotel team and reviewed by the Directors. This report includes cash flow forecast, rate, market analysis as well as competition benchmark and comments any risk related to these points.

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

15 May 2023

Statement of directors' responsibilities in respect of the strategic report, the directors' 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, 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 2022 and of its profit 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board Minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.



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

As required by auditing standards and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because it is simple in nature and therefore there is limited opportunity to commit fraud.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue with unrelated accounts, unusual or unexpected debits or credits to cash, deposit levels or loans and journal entries containing key words such as reversal, restatement or reclassification.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risk of material misstatement due to non-compliance with laws and regulations.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably:

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.



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

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.

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.

Mounessen Ramsamy (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3rd Floor Saltire Court,
20 Castle Terrace,
Edinburgh, EH1 2EG

15 May 2023

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2022

	<i>Note</i>	2022 €000	2021 €000
Turnover	3	104,755	49,510
Cost of sales		(49,934)	(28,405)
Gross profit		54,821	21,105
Other operating income	<i>4</i>	16,622	46,886
Administrative expenses	<i>6</i>	(50,837)	(50,170)
Operating profit	5	20,606	17,821
Other interest receivable and similar income	<i>8</i>	2,436	96
Interest payable and similar expenses	<i>9</i>	(13,394)	(9,639)
Gain on financial assets at fair value	<i>21</i>	17,574	-
Profit before taxation		27,222	8,278
Tax on profit	<i>10</i>	(1,160)	(628)
Profit for the financial year		26,062	7,650
Other comprehensive income			
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		1,055	1,055
Total comprehensive income for the year		27,117	8,705

Activities in both current year and prior year were continuing.

The accompanying notes on pages 11 through 27 form an integral part of the financial statements.

Balance Sheet
at 31 December 2022

	Note	2022 €000	2021 €000
Fixed assets			
Intangible assets	11	571	592
Tangible assets	12	319,291	334,918
Investments	13	118	85
		<u>319,980</u>	<u>335,595</u>
Debtors due after more than one year	15	103,077	60,482
Current assets			
Stocks	14	10,044	8,938
Debtors	15	24,725	21,015
Cash at bank and in hand	16	30,347	21,410
		<u>168,193</u>	<u>111,845</u>
Creditors: amounts falling due within one year	17	(28,515)	(18,201)
Net current assets		<u>139,678</u>	<u>93,644</u>
Total assets less current liabilities		<u>459,658</u>	<u>429,239</u>
Creditors: amounts falling due after more than one year	18	(601,049)	(596,377)
Provisions for liabilities	19	(3,737)	(4,052)
		<u>(604,786)</u>	<u>(600,429)</u>
Net liabilities		<u>(145,128)</u>	<u>(171,190)</u>
Capital and reserves			
Called up share capital	20	1,830	1,830
Share premium reserve	20	114,210	114,210
Revaluation reserve	20	29,930	30,985
Profit and loss account		(291,098)	(318,215)
Shareholders' deficit		<u>(145,128)</u>	<u>(171,190)</u>

These financial statements were approved by the board of directors on 15 May 2023 and were signed on its behalf by:

K. S. Lindsay

Keith Lindsay
Director

Company registered number: 0048125

The accompanying notes on pages 11 through 27 form an integral part of the financial statements.

Statement of Changes in Equity

	Called up share capital €000	Share premium reserve €000	Revaluation reserve €000	Profit and loss account €000	Shareholders' deficit €000
Balance at 1 January 2021	1,830	114,210	32,040	(326,920)	(178,840)
Total comprehensive income for the year					
Profit for the financial year	-	-	-	7,650	7,650
Transfer	-	-	(1,055)	1,055	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	(1,055)	8,705	7,650
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	1,830	114,210	30,985	(318,215)	(171,190)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

	Called up share capital €000	Share premium reserve €000	Revaluation reserve €000	Profit and loss account €000	Shareholders' deficit €000
Balance at 1 January 2022	1,830	114,210	30,985	(318,215)	(171,190)
Total comprehensive income for the year					
Profit for the financial year	-	-	-	26,062	26,062
Transfer	-	-	(1,055)	1,055	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	(1,055)	27,117	26,062
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	1,830	114,210	29,930	(291,098)	(145,128)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 11 through 27 form an integral part of the financial statements.

Cash Flow Statement
for the year ended 31 December 2022

	<i>Note</i>	2022 €000	2021 €000
Cash flows from operating activities			
Profit before tax for the year		27,223	8,278
<i>Adjustments for</i>			
Depreciation, amortisation and impairment		19,825	20,744
Impairment/ (impairment reversal)	13	(33)	302
(Gain)/loss on disposal of tangibles and Intangibles fixed assets	4	-	(25,174)
Interest receivable and similar income	8	(2,436)	(96)
Interest payable and similar charges	9	13,394	9,639
(Gain) on financial assets at fair value	21	(17,574)	-
Taxation		(1,160)	(628)
		<hr/>	<hr/>
(Increase) in trade and other assets		(1,483)	(7,449)
Decrease / (increase) in stocks		(1,106)	1,062
Increase in trade and other creditors		10,314	3,718
Increase/(decrease) in long term creditors		(20,329)	1,988
(Decrease) in provisions		(315)	(7)
		<hr/>	<hr/>
Net cash flows from operating activities		26,320	12,377
		<hr/>	<hr/>
Cashflows from investing activities			
Interest received		2,436	96
Intercompany loans advanced	15	(27,248)	(58,531)
Acquisition of tangible, intangible fixed assets	11, 12	(4,177)	(3,378)
Proceeds from disposal		-	26,790
		<hr/>	<hr/>
Net cash used from investing activities		(28,989)	(35,023)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from third party loan	18	25,000	35,000
Interest paid		(13,394)	(9,639)
		<hr/>	<hr/>
Net cash flows from financing activities		11,606	25,361
		<hr/>	<hr/>
Net increase in cash and cash equivalents		8,937	2,715
Cash and cash equivalents 1 January		21,410	18,695
		<hr/>	<hr/>
Cash and cash equivalents 31 December	16	30,347	21,410
		<hr/>	<hr/>

The accompanying notes on pages 11 through 27 form an integral part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The Ritz Hotel, Limited, company registration number 0048125 (the "Company") is a private company limited by shares and incorporated and domiciled in England, United Kingdom. The Company is tax resident in France. The registered address of the Company is 20 Old Bailey, London, EC4M 7AN, UK. The principal place of business is 15 Place Vendôme, 75001, Paris, France.

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 subsidiary is 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"). 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 except that derivative financial instruments and investment property are measured at fair value. **Going concern**

Notwithstanding net liabilities of €145.1m as at 31 December 2022, 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 31 July 2024, including reasonably possible downside scenarios.

As at 31 December 2022, the Company was financed by a combination of a secured bank loan of €275m with an external lender and cash of €30.3m. The Company also has a €384m of uncommitted, unsecured facility provided by the shareholder which, at the date of approval of these financial statements, had been drawn down by €299.8m. The bank loan includes three financial covenants, tested every quarter, and the company has not defaulted since the loan was obtained.

At the date of the approval of the financial statements, the hotel has been opened for the full year, and all facilities have been available to guests.

The base case scenario is based on the company's rolling forecast and in the specific severe but plausible downside scenario the company has considered a significant revenue decrease and a significant increase in expenses. The forecasts incorporate an increase in expenses at a higher rate than current inflation and not all increases are passed to consumer. Under the base case scenario, the company remains covenant compliant and profit making for the next 12 months from the date of approval of these financial statements.

Under, the severe, but plausible downside scenario the company would remain covenant compliant and would be cash generative.

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

1.2 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 retranslated 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)

1.3 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less 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.

1.4 Other financial instruments

- Investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment and:
- Hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends up in the nature of the item being hedged. The Company does not apply hedge accounting.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost 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 fixed assets

Intangible fixed assets comprise customer lists, software and registration expenses, development cost and artistic rights incurred in relation to the protection of the Ritz trademark worldwide. Other intangible assets only consist of artistic rights. Software is usually renewed or upgraded within five years of purchase and therefore amortized on a straight line basis over this period. Registration expenses are payable every ten years and accordingly are amortised over this period. Artistic rights are estimated to be used for ten years and accordingly amortised over this period. Development costs are fully amortised when they become obsolete. 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
• Trademarks	10 years
• Customer lists	10 years
• Artistic rights	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 2022.

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 Revaluation reserve

The revaluation reserve continues to be offset by excess depreciation due to the transition to FRS102 in 2000 choosing not to continue with Revaluation Model. The fixed assets are now carried at amortised cost.

1.12 Turnover

Turnover comprises room sales, food and beverages sales, club and spa and other sales to external customers (excluding TVA and other sales taxes). Turnover is recognised as follows:

- Room sales daily based on customer presence on the evening of stay
- Food and beverage sales daily at the close of business
- Club and spa sales to members monthly in advance
- Sales to external customers on completion of the related service
- Sale of owned property on completion of sale of the relevant property

In addition, 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.

1.13 Other operating income

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

1.14 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants relating to the French government employment support scheme and the French solidarity fund scheme are revenue in nature and are recognised in "other operating income" within profit or loss in the year as the related expenditure. There are no unfulfilled conditions.

The Company has not directly benefited from any other forms of government assistance.

1.15 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.

Notes (continued)

1 Accounting policies (continued)

1.16 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.

1.17 Distribution to equity holders

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Accounting estimates and judgements

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

There were no critical judgements identified in applying the Company's accounting policies in the current year.

Key sources of estimation uncertainty

There are assumptions made in respect of the useful economic lives of tangible and intangible fixed assets along with related residual values as well as the recoverability of the unrecognised deferred tax assets and the related anticipated reversal of timing differences. These are based on best estimates at the time and useful economic lives of tangible and intangible fixed assets are reviewed periodically.

Notes (continued)

3 Turnover

	2022 €000	2021 €000
Room sales	67,489	29,325
Food and beverage	26,507	13,407
Other	10,759	6,778
	<u>104,755</u>	<u>49,510</u>

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

4 Other operating income

	2022 €000	2020 €000
Royalties	13,489	11,545
Government grants (refer note 6)	-	7,280
Gains on disposal of intangible/tangible fixed assets	-	25,174
Other operating income	3,133	2,887
	<u>16,622</u>	<u>46,886</u>

5 Expenses and auditors' remuneration

	2022 €000	2021 €000
Amortisation – intangible fixed assets	59	216
Depreciation – tangible fixed assets	19,765	20,527
Impairment/ (impairment reversal)	(33)	302
Operating lease – plant and machinery	49	56
Operating lease – other	1,233	875
(Gain) on disposal of intangible fixed assets	-	(23,352)
(Gain) on disposal of tangible fixed assets	-	(1,764)
Loss/(Profit) on foreign currency translation	221	(321)
Auditor's remuneration	200	150
Non-audit services payable to the Company's auditor and its associates	-	-

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:

	Number of employees	
	2022	2021
Management	9	9
Administration	70	72
Other	515	468
	<u>594</u>	<u>549</u>

The aggregate payroll costs of these persons was as follows:

	2022	2021
	€000	€000
Wages and salaries	30,395	22,953
Social security	12,362	8,470
Reduction of provision for retirement indemnity obligation	(374)	52
	<u>42,383</u>	<u>31,475</u>

During the year €Nil (2021: €3,353,689) was received from the French government employment support scheme.

7 Directors' remuneration

Remuneration of the highest paid director:

	2022	2021
	€000	€000
Remuneration	1,065	1,591
Aggregate remuneration in respect of qualifying services	<u>1,065</u>	<u>1,591</u>

The directors performed their duties to the Company in accordance with contracts with the ultimate parent company by whom they are employed.

The aggregate of emoluments of the highest paid director was €50,000 (2021: €592,882). 4 directors (2021: 4) received remuneration from the Company during the year.

There were no shares or share options received under long-term incentive schemes in respect of qualifying services. There were no amounts paid or treated as paid to a pension scheme in respect of directors' qualifying services.

8 Interest receivable and similar income

	2022	2021
	€000	€000
On deposits held with third parties	80	1
On loans to group undertakings (refer note 15)	2,356	95
	<u>2,436</u>	<u>96</u>

Notes (continued)

9 Interest payable and similar expenses

	2022 €000	2021 €000
Interest expense on third party loan	7,671	4,842
Interest expense on inter-company loan	5,723	4,797
	<u>13,394</u>	<u>9,639</u>

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of €7,670,770 (2021: €4,842,000) and on all other loans of €5,723,000 (2021: €4,797,000) is payable to group undertakings.

10 Taxation

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

	2022 €000	2021 €000
<i>Current tax</i>		
Total current tax	1,160	628
<i>Deferred tax</i>		
Total deferred tax	-	-
	<u>1,160</u>	<u>628</u>

Reconciliation of effective tax rate

	2022 €000	2021 €000
Profit for the year	26,062	7,650
Total tax expense	1,160	628
	<u>27,222</u>	<u>8,278</u>
Profit excluding taxation		
Tax using the applicable corporation tax rate of 25% (2021: 26.5%)	6,806	2,194
Tax losses unrecognised	(1,396)	(893)
French tax adjustments	222	-
Difference between French tax account and UK GAAP tax account	(4,472)	(673)
	<u>1,160</u>	<u>628</u>

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

Tax losses carried forward	43,722	45,118
Other deferred tax assets relating to timing differences	10,849	14,549
	<u>54,571</u>	<u>59,667</u>

Notes (continued)

10 Taxation (continued)

Deferred tax assets are calculated using the corporation tax rate at which they are expected to be utilised of 25.00% (2021: 25.00%). The directors have not recognised a deferred tax asset in respect of these losses due the uncertainty as to when sufficient profits will be generated to recover the potential asset.

	€000 Current tax	2022 €000 Deferred tax	€000 Total tax	€000 Current tax	2021 €000 Deferre d tax	€000 Total tax
Recognised in Profit and loss account	1,160	-	1,160	628	-	628
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total tax	1,160	-	1,160	628	-	628

Intangible fixed assets

	Trademarks and customer lists €000	Computer software €000	Development costs €000	Other intangible assets €000	Total €000
Cost					
Balance at 1 January 2022	5,354	2,937	101	25	8,417
Additions	-	39	-	-	39
Disposals	-	-	-	-	-
Balance at 31 December 2022	5,354	2,976	101	25	8,456
Amortisation and impairment					
Balance at 1 January 2022	4,894	2,829	101	1	7,825
Additions	-	63	-	3	66
Disposals	-	(6)	-	-	(6)
Balance at 31 December 2022	4,894	2,886	101	4	7,885
Net book value					
Balance at 1 January 2022	460	108	-	24	592
Balance at 31 December 2022	460	90	-	21	571

Notes (continued)

12 Tangible fixed assets

	Land and buildings €000	Plant and Equipment €000	Fixtures & fittings €000	Furniture €000	Other €000	Total €000
Cost						
Balance at 1 January 2022	478,346	2,370	1,636	29,892	3,282	515,526
Additions	752	776	156	1,220	1,234	4,138
Disposals	-	-	-	-	-	-
Balance at 31 December 2022	479,098	3,146	1,792	31,112	4,516	519,664
Depreciation						
Balance at 1 January 2022	152,563	1,125	865	23,311	2,744	180,608
Depreciation charge for the year	18,734	418	183	1,783	282	21,400
Disposals	(1,441)	(29)	(13)	(132)	(20)	(1,635)
Balance at 31 December 2022	169,856	1,514	1,035	24,962	3,006	200,373
Net book value						
At 1 January 2022	325,783	1,245	771	6,581	538	334,918
At 31 December 2022	309,242	1,632	757	6,150	1,510	319,291

13 Fixed asset investments

The Company purchased 50% of the ordinary share capital of the Ritz Products (U.K.) Limited on 12 June 2014. The registered address of Ritz Products (U.K.) Limited is 155 Piccadilly, London, W1V 9DG, UK. The carrying value of this investment as at 31 December 2022 is €118,434 (2021: €85,194).

	Participating interests €000	Total €000
Cost		
At beginning of year	85	85
Impairment reversal	33	33
At end of year	118	118
Net book value		
At 31 December 2022	118	118
At 31 December 2021	85	85

Ritz Products (UK) Limited net assets were €237,000 as at 31 December 2022 (€203,000 as at 31 December 2021). The Company's share was 50%. This is a direct holding and that the Company has taken exemption not to prepare consolidated accounts. On this basis an impairment of €269,000 was applied to reduce the carrying value to reflect the loss in value.

The Company reversed the impairment due to the increase in net assets of Ritz Products (UK) Limited in the current year.

Notes (continued)

13 Fixed asset investments (continued)

The Company has the following investment in an associate:

	Aggregate of capital and reserves	Profit or loss for the year	Country of incorporation	Class of shares held	Ownership 2022	Ownership 2021
	€000	€000			%	%
Ritz Products (U.K) Limited	237	34	U.K	B' Ordinary	50	50

14 Stocks

	2022 €000	2021 €000
Raw materials and consumables	10,044	8,938
	<u>10,044</u>	<u>8,938</u>

15 Debtors

	2022 €000	2021 €000
Trade debtors	6,651	5,702
Other debtors	31,844	1,643
Prepayments and accrued income	3,990	13,847
Loans to group undertakings	85,317	60,305
	<u>127,802</u>	<u>81,497</u>
Due within one year	24,725	21,015
Loans to group undertakings (due after one year)	85,317	60,305
Long term deposits (due after one year)	186	177
Derivative financial instruments (due after one year)	17,574	-
	<u>127,802</u>	<u>81,497</u>

Debtors are measured at amortised cost. Included in other debtors due within one year is an amount of €1.9m from Peach Invest France SA, a fellow group undertaking, relating to intercompany balances. The amount is interest free, has no specific terms of repayment and is unsecured.

Notes (continued)

15 Debtors (continued)

As a result of the sale of the trademark on 10 December 2021 a Loan Agreement was signed between Ritz Enterprise SA and The Ritz Hotel, Limited under which €23.4m was advanced by The Ritz Hotel Limited to Ritz Enterprise SA with the following conditions:

- The associated interest rate is EURIBOR 3 months rate + 2.25%.
- The repayment date is 31 January 2027.
- The facility is unsecured.

On 10 December 2021 an Intercompany Loan Agreement was signed between RH Paris I SARL and The Ritz Hotel, Limited under which €35m was advanced by The Ritz Hotel Limited to RH Paris I SARL with the following conditions:

- The associated interest rate is EURIBOR 3 months rate + 2.25%.
- The loan is repayable on demand and or no later than 31 January 2027.

The new intercompany loan agreement was signed between RHL and RESA ("Loan 2"). RHL advanced to RESA €25,000,000 which BNP Paribas additionally granted to RHL on 13 July 2022.

- The associated interest rate is EURIBOR 3 months rate + 2.25% and receivable at maturity.
- The repayment date is 31 January 2027.
- The facility is secured by a charge over the hotel building at 15/17 place Vendôme and 38 rue Cambon 75001 Paris.

Derivatives comprise an interest rate swap valued at fair value.

16 Cash and cash equivalents

	2022 €000	2021 €000
Cash at bank and in hand	30,347	21,410
	<u>30,347</u>	<u>21,410</u>

Restrictions on cash and cash equivalents held include a total amount of €250k (2021: €250k) deposited with a bank in France in accordance with its contractual arrangements with third parties.

17 Creditors: amounts falling due within one year

	2022 €000	2021 €000
Trade creditors	8,078	5,513
Other taxation and social security	7,931	4,324
Other creditors	714	715
Accruals and deferred income	11,792	7,649
	<u>28,515</u>	<u>18,201</u>

Creditors amounts falling due within one year are measured at amortised cost. Included in other creditors due within one year is an amount of €6k to Ritz Group Services a fellow group undertaking, relating to intercompany balances. The amount is unsecured, interest free and has no specific terms of repayment.

18 Creditors: amounts falling after more than one year

	2022 €000	2021 €000
Bank loans and overdrafts	275,000	250,000
Long term loan from parent undertaking	299,829	319,829
Other creditors	1,237	1,233
Accruals and deferred income	24,983	25,315
	<u>601,049</u>	<u>596,377</u>

Creditors amounts falling after more than one year are measured at amortised cost.

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

- The associated interest rate is EURIBOR rate 3 months + 1.5%.
- Repayment date not earlier than two years from the date of reopening of the hotel on 9 June 2016.
- €299.8 million drawn down as at 31 December 2022 (2021: €319.8 million).
- The undrawn facility at the year end was €64 million.
- The facility is unsecured.
- The loan is not repayable until the bank loan of €250 million from BNP Paribas has been repaid.

The Company has loans which refer to EURIBOR. To address the issues of benchmark reform the loans specify that if a reference rate replacement event has occurred the parties agree to use for the purpose of the agreements as a replacement the same screen rate or index as that determined in accordance with the agreement for each interest calculation date following the determination under the agreement. In assessing any risk the entity has applied the practical expedient in paragraph 11.20C of FRS 102.

On 31 July 2020 a loan agreement was signed between BNP Paribas and The Ritz Hotel Limited totalling €215 million with the following conditions:

- The associated interest rate is EURIBOR + 1.25%.
- Interest rates are capped at 1.50% through to the end of the facility on 6 July 2025 for which the Company paid €840,000.
- The facility runs through to 6 July 2025 with no repayment required before this date.
- The facility is secured by a charge over the hotel building at 15/17 place Vendôme and 38 rue Cambon 75001 Paris.

During the year, RHL borrowed an additional €25m from BNP Paribas on 13 July 2022 with the following conditions:

- The associated interest margin is 1.75%.
- Interest rates were capped at 1.50% until 30 July 2022.
- After 31 July 2022, 90% of total €275m loans are fixed at 1.75% margin plus 1.088% swap, and the remaining 10% are based on floating EURIBOR
- The facility runs through to 31 July 2026 with no repayment required before this date.
- The facility is secured by a charge over the hotel building at 15/17 place Vendôme and 38 rue Cambon 75001 Paris.

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

	2022 €000	2021 €000
Due within one year	-	-
Due between one and five years	574,829	569,829
Due after five years	-	-
	<u>574,829</u>	<u>569,829</u>

Notes (continued)

19 Provisions

	Post retirement benefits	Provision for litigation	Provision for fines and penalties	Total
	€000	€000	€000	€000
Balance at 1 January 2022	1,502	2,550	-	4,052
Provision made / (used) during the year	(375)	58	2	(315)
Balance at 31 December 2022	1,127	2,608	2	3,737

Post-retirement benefits

The provision for retirement indemnities as at 31 December 2022, is €1,126,692 (2021: €1,501,544).

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 3.86%
- Expected salary increase 2.5%
- Profile of employees to each retirement.

Litigation provision

The provisions for litigation as at 31 December 2022 of €2,608,413 (2021: €2,550,000) represents management's best estimate of the likely cost to the Company for litigation currently in progress. During the year additional provisions were made and there were no releases.

Notes (continued)

20 Share capital and reserves

Share capital

	2022 £000	2021 £000
Authorised		
2,000,000 ordinary shares of £1 each	2,000	2,000
	£000	£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

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.

Share premium reserve

The share premium reserve reflects any excess paid above the par value of shares on allotment.

Revaluation reserves

The revaluation reserves reflect periodic revaluations of land and buildings.

Where tangible fixed assets are revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

21 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2022 £000	2021 £000
Derivatives measured at fair value through profit or loss	17,574	-
	17,574	-

The derivatives comprise an interest rate swap.

The fair value of the interest rate swap is determined by reference to a valuation provided by BNP Paribas.

Notes (continued)

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings	Land and buildings	Other	Other
	2022 €000	2021 €000	2022 €000	2021 €000
Due within one year	676	656	12	24
Due between one and five years	2,872	3,279	2	42
Due after five years	-	164	-	-
	<u>3,548</u>	<u>4,099</u>	<u>14</u>	<u>66</u>

During the year, €1,283,000 was recognised as an expense in the profit and loss account for operating leases (2021: €932,000).

23 Related parties

Amounts in respect of the year ended 31 December 2022 are as follows:

• Parent companies

	Receivables outstanding	Receivables outstanding	Creditors outstanding	Creditors outstanding
	2022 €000	2021 €000	2022 €000	2021 €000
Ritz (PARIS) Holdings Limited	-	-	299,829	319,829
RH PARIS I SARL	35,000	35,000	-	-
	<u>35,000</u>	<u>35,000</u>	<u>299,829</u>	<u>319,829</u>

	Finance income	Finance income	Finance expenses	Finance expenses
	2022 €000	2021 €000	2022 €000	2021 €000
Ritz (PARIS) Holdings Limited	-	-	5,723	4,797
RH PARIS I SARL	1,094	44	-	-
	<u>1,094</u>	<u>44</u>	<u>5,723</u>	<u>4,797</u>

• Fellow group companies

	Receivables outstanding	Receivables outstanding	Creditors outstanding	Creditors outstanding
	2022 €000	2021 €000	2022 €000	2021 €000
Peach Invest SA	1,907	1,895	-	-
Ritz Group Services SA	-	-	6	600
Ritz Enterprise SA	48,410	23,410	-	-
	<u>50,317</u>	<u>25,305</u>	<u>6</u>	<u>600</u>

Notes (continued)

23 Related Parties (continued)

Amounts in respect of the year ended 31 December 2022 are as follows:

- Fellow group companies (*continued*)

	Turnover	Turnover	Other operating income	Other operating income
	2022 €000	2021 €000	2022 €000	2021 €000
Ritz Enterprise SA	-	-	-	23,410
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	23,410
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Finance income	Finance income	Finance expenses	Finance expenses
	2022 €000	2021 €000	2022 €000	2021 €000
Ritz Enterprise SA	-	29	-	-
Peach Invest SA	60	22	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	60	51	-	-

The balances outstanding at 31 December 2022 and 31 December 2021 include amounts due (from)/to Mr Al Fayed of €Nil and €Nil respectively.

24 Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to €1,741,005 (2021: €1,974,439).

25 Ultimate controlling parties of the group

The Company's immediate joint parent undertakings are:

- Ritz (Paris) Holdings Limited, First Floor 7 Esplanade, St Helier, Jersey, JE2 3QA registered in Jersey, and
- R H Paris I SARL, 21 Rue Du Fort Elisabeth, Luxembourg, 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 I SARL are not available for public inspection.

26 Commitments

Capital commitments

The Company is committed to incur capital expenditure in respect of €15m for furniture, fixtures and equipment and projects in 2023.

27 Subsequent events

Opening of a new fine dining restaurant “Espadon” budgeted for September 2023. Works started in January 2023 and should be finalised in July 2023. Approximated budget is €6m (included in the Company’s capital commitments).