

Clermont Hotel Group Limited
Annual report and financial statements
Registered number 00262958
30 June 2023



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Strategic Report

The directors present their Strategic Report for the year ended 30 June 2023.

Company status and principal activity

Clermont Hotel Group Limited ("the Company"), is a limited liability company domiciled and registered in England. The principal activity of the Company is to provide treasury services to its subsidiaries and the wider group.

Strategy and Developments

During the year ended 30 June 2023 the Company and its subsidiaries operated 16 hotels, which also comprises the "Group".

In November 2022 the Group was re-branded, from GLH Hotels to The Clermont Hotel Group, aligning the Group with its anchor brand. In May 2023 the hotel previously branded as The Hard Rock Hotel London was re-branded as The Cumberland. The Group now operates three hotel brands, being Clermont, Thistle and The Cumberland.

The Group has loan borrowings of £147.9m (2022: £192.7m). During the year the Group made a net repayment of £45.0m of the loan facilities (2022: drawdown £36.0m). After the year end the borrowings were refinanced.

Review of the business

In the year ended 30 June 2023, the Group delivered a total revenue performance ahead of pre-pandemic levels, driven by the continued recovery in occupancy levels and the benefit of higher average room rates. Rooms sold growth in the year was supported by strong international and domestic demand. The business capitalised on significant increases in average room rates which were driven by the strong demand and also price increases around key events in the year. The Group also saw market-wide challenges on the availability of labour, high energy prices, inflation and interest rates. However, despite these challenges, management has maintained tight cost base control and taken together with the revenue performance, delivered a strong return to profitability.

The consolidated results for the year ended 30 June 2023 show a £122.2m increase in revenue. This is driven by the first full year of all hotels being open after the UK wide lockdowns, while the London hotel market showed a strong recovery and growth through the year.

Expenses for the year ended 30 June 2023 increased by £47.3m. This was driven by partial hotel closures in the previous financial year, higher energy prices, and a rise in inflation rates. The largest impact has been from employee costs which have increased by £17.8m to £54.6m (2022: £36.8m), as average monthly team members has increased to 1,368 (2022: 937) and salary increases during the year which were partly driven by National Minimum Wage rate changes. Management fees and room commission costs have also increased in line with the significant increase in revenue, rising to £26.1m (2022: £11.9m) and £15.3m (2022: £8.3m) respectively. The Group also received and recognised business interruption insurance claim income of £7.1m (2022: £8.1m), which is disclosed under other income in the Statement of Profit and Loss and Other Comprehensive Income.

Right-of-use asset depreciation and lease liability interest expenses remained significant in the current year at £10.1m (2022: £13.7m) and £31.8m (2022: £33.8m) respectively.

The Company results for the year ended 30 June 2023 include the reversal of a provision against amounts owed by subsidiaries of £67.4m (2022: provision made of £67.1m). See details in Note 14. The Company also recognised an impairment of investments in subsidiaries of £80.4m (2022: £35.9m). See details in Note 11. The Company made capital injections totalling £91.6m (2022: £157.2m) in subsidiaries during the year. See details in Note 11.

The net asset position of the Group has increased to £450.5m (2022: £440.4m (restated, see note 30)), mainly due to the impact of increased revenue and profits in the year.

The Key Performance Indicators (KPIs) used to measure trading performance of the hotel are occupancy percentage, average room rate (ARR) and revenue per available room (RevPAR).

KPIs: Movement vs. prior year

	Year ended 30 June 2023 %	Year ended 30 June 2022 %
Occupancy (percentage points)	17.0	32.0
Average room rate (ARR)	16.0	92.0
Revenue per available room (RevPAR)	71.7	1,225.0

Engaging with our stakeholders (section 172(1) statement)

The Directors have a duty to promote the success of the Company and the Group for the benefit of its members as a whole, having regard to the interests of our customers, our people, our relationship with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of business conduct.

Our key stakeholders are our customers, team members, lenders, landlords, the beneficiaries of the defined benefit ("DB") pension scheme and the community and environment. All key Group decisions consider the impact on relevant stakeholders. Increasingly, stakeholders are looking to understand our performance across multiple areas, including products and services, innovation, governance and workplace practices. The Company endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of the different stakeholder groups do not align, the Company must decide on the best course to promote the Group's long-term success.

Strategic Report (continued)

Engaging with our stakeholders (section 172(1) statement) (continued)

Customers

Customers are the core focus of our business. We strive to deliver outstanding customer experiences in order to build long-term and sustainable relationships. Key issues for our customers include high quality service which meets their high expectations and competitive pricing.

Team Members

As a service organisation, our team members are critical to our business. We ensure our people are engaged and empowered to deliver the best service for our customers and be happier themselves.

The Group strives to ensure our team members maintain and embody the Group values. Our values encourage team members to:

- Be **bold** in our decisions, our actions and our aspirations.
- Be **adaptable** by embracing change and planning for the expected and the unexpected.
- Be **real** through sharing feedback and ideas, and always being open and honest.

We will be conducting a thorough survey via Great Place to Work. We hope this will lead to Great Place to Work certification. It's the most definitive "employer-of-choice" recognition and the only recognition based entirely on what employees report about their workplace experience.

See Employee matters section in the Directors' report for further information on how we engage with our team members.

Lenders

The Group prioritises strong relationships with its lenders and continues to build on long-term established relationships. These relationships work not just by fulfilling contractual performance obligations, but also include regular communications on business strategy and working as partners towards shared objectives.

Landlords

The location and quality of the Group's hotels underpins our business and is fundamental to the service we provide. Good relationships with the landlords of our properties (across multiple contractual relationships) are pivotal to ensure our properties are maintained to a high standard, offer a compelling offering to our guests and support the long-term growth strategy of the Group.

DB Pension Scheme

The Group operates two defined benefit schemes, both of which are closed to new members and their assets are held in separate funds administered by Trustees.

The Group has nominated representatives on the board of trustees. They attend regular meetings to discuss relevant issues with the pension scheme administrators and external advisor to ensure the Group are fulfilling all requirements.

Community and environment

The Group hosts and encourages involvement in a number of events throughout the financial year, partnering with charities and fund raising exercises which aim to have a positive impact on the community in which we operate.

The environment is a priority for the Group. The Group has an ESG Working Committee which is focussed on energy, water and waste consumption reduction. Initiatives include the reduction of single use plastics and introducing bulk toiletry amenities & bamboo key cards into some of the hotels with plans to roll out across the business.

The Group has achieved the Hotel Reservation Service BRB booking provider Stay Green Accreditation and ECOSmart Accreditations at 14 hotels, a certification recognising eco-friendly hotels embracing environmental sustainability. The certificate operates within the Global Sustainable Tourism Council framework, guidelines for which are determined by the UNSDGs and ISO14001. These achievements demonstrate Group's continued commitment to becoming a fully sustainable business and addressing its environmental footprint.

Principal risks and uncertainties

Principal Risks	Mitigating Activities
<p>Brand reputation</p> <p>The Group is reliant upon the reputation of the Clermont Hotel Group brands. Any event that materially damages the reputation of one or more of the brands and/or failure to sustain the appeal of the brands to its customers may have an adverse impact on subsequent revenues from that brand or related operation.</p>	<p>Each of the brands in our portfolio is designed to meet specific guest needs. The consistency of our brands is managed through the brand standard requirements. We continually review ways to increase awareness, deliver exceptional customer experiences and drive loyalty towards our brands.</p> <p>We are committed to conducting business in a responsible manner. We have put in place a set of internal policies and procedures, which are supported by training, monitoring and reporting.</p>

Strategic Report (continued)

Principal risks and uncertainties (continued)

Principal Risks	Mitigating Activities
<p>Political or economic uncertainty</p> <p>The Company and the Group are exposed to the risk of adverse political or economic developments. The state of world economies and consumer confidence affect demand in the hospitality sector.</p> <p>Events in Ukraine represent an ongoing risk to the UK economy. There has been a direct impact on utility and energy prices, and these are likely to remain high in the short to medium term.</p> <p>Economic conditions remain uncertain, reflected in the UK inflation and interest rate increases. While the inflation rate has decreased recently, it remains significantly above the Bank of England target and interest rates are now expected to remain higher for longer. The resultant "Cost of Living crisis" is a very real issue for our guests, and this will continue to impact consumer confidence and behaviour in the coming months.</p> <p>The hospitality sector has been faced with a challenging shortfall of employee availability following the pandemic. This has adversely impacted cost of labour, with difficulties filling vacancies seen in some areas of the workforce. While the challenges of labour supply shortage have softened to an extent, they continue to present a risk to the operating model and the ability of the Group to deliver a great guest experience. If the challenges intensified, it could constrain occupancy.</p> <p>The Group is susceptible to fluctuations in major world currencies, which can impact business from global customers and cost of imports. The current year has seen the pound strengthen against the US dollar, potentially making the UK a less attractive market for inbound travellers.</p> <p>A negative impact on the Group's revenue and profitability will also have a direct impact on the valuation of property, plant and equipment and other areas that depend on forecasts.</p>	<p>The Group operates 3, 4 and 5 star hotels under a range of brands. These brands have been designed to have international appeal, and the customer base is not concentrated in any specific geographical region.</p> <p>Pricing strategy is under constant review and the Group can respond proactively to fluctuations in demand in order to optimise pricing.</p> <p>The Group retains a proactive focus on costs and the Group's Procurement team regularly review the risks associated in the Group's supply chain. This includes:</p> <ul style="list-style-type: none"> - Joint business plans with key suppliers, to mitigate risks caused by currency fluctuations and potential changes in import procedures; - Implementation of risk management procedures including contingency planning; - Where there is a potential risk of increased costs in the supply chain due to a shortage of raw materials and/or manpower, price fixes/ price caps were negotiated; - For high-risk products, alternative suppliers and products have been identified and alternative menus developed for high risk products to ensure business continuity. <p>The Group constantly reviews its approach to being a compelling employer choice for UK nationals and overseas nationals alike. This includes focusing on creating a great place to work, career development opportunities, employee engagement as well as competitive compensation and benefits, which are benchmarked against industry standards.</p> <p>A flexible staffing model has been employed in order to channel staff resource into the hotels and departments with the most demand, facilitated by multi-skilling of employees. The mix of agency staff vs employees is also optimised to support short term staffing requirements.</p> <p>Regarding the potential negative impact on the value of property, plant and equipment, the short, medium and long term trading strategy are constantly reviewed by management to ensure revenue and profitability is maximised, as discussed above in the review of the business. The forecasts which inform the asset valuations are regularly reviewed, allowing management to identify any signs of impairment and take decisive action to protect asset value.</p>
<p>Property risk</p> <p>Our properties underpin our business and performance is linked to the proper maintenance and upkeep of the hotels. Any significant damage or underinvestment may lead to disruption and could result in a multitude of issues including leaks, out of order lifts, boiler and hot water system issues, air conditioning faults or building fabric problems.</p> <p>Improper maintenance leads to loss of revenue, through reduced rooms inventory and impacts brand reputation through lower guest satisfaction scores and reviews.</p>	<p>To ensure the estate is well maintained a rolling 5 year investment plan of fundamental property and maintenance expenditure is kept.</p> <p>The head count of the businesses property team has been increased during the year to support the delivery of all planned fundamental projects, to ensure the upkeep of the properties.</p>

Strategic Report (continued)

Principal risks and uncertainties (continued)

Principal Risks	Mitigating Activities
<p>Treasury risk</p> <p>Clermont Hotel Group Limited is the Company managing the Group's treasury activities. The Group is exposed to treasury risks relating to interest rates, counterparty credit and management of cash, to ensure all liabilities are met as they fall due.</p> <p>Cash management has been a heightened risk in recent years, as a result of the COVID-19 pandemic, and the reduced revenues and cash inflow as a result, though this risk has reduced as the Group has returned to profitability and cash generation.</p>	<p>The Group's Treasury function manages both the activities of all operating companies within the Group and the Group's borrowings. Rolling cash flow forecasts are maintained by the Group to ensure sufficient headroom is maintained to meet all future liabilities.</p> <p>The Group's treasury activities, including the use of financial instruments, are overseen by Guoco Group Limited (Note 29).</p>
<p>Cyber risk</p> <p>The Group and Company, similar to all organisations, are exposed to the ongoing risk of cyber-attacks, and attempts to access systems, for example through phishing emails.</p> <p>There are risks of financial loss if systems are compromised, in particular through payments made to incorrect bank details, or loss of key system data.</p>	<p>The Group is continuously reviewing and improving systems to ensure this risk is managed. Mitigating activities include:</p> <ol style="list-style-type: none"> 1) Network access control monitoring, conditional access policies, restricting who can gain access to our network, and who has permission to ensure they can only access the areas needed. The principle of least privilege principle is also employed and network segmentation to enhance security. 2) Systems are regularly reviewed to ensure versions are up to date with the latest security updates. Regular updates and patches are applied to keep software up to date with the latest security patches. 3) Multi-factor authentication is required to access systems to ensure our user accounts cannot easily be compromised. 4) Regular cybersecurity training for our staff to provide the knowledge to help identify potential threats. We also conduct quarterly simulated phishing campaigns to enhance awareness, with mandatory training for those compromised.

Signed:



Gavin Taylor
Director
31 October 2023

Directors' Report

The directors present their Directors' Report and financial statements for the year ended 30 June 2023.

Result and dividends

The results for the year ended 30 June 2023 are set out in the Consolidated Statement of Profit and Loss and Other Comprehensive Income on page 13. Profit after tax for the year was £16.4m (2022: £39.3m loss). The increase to profit before tax is explained in the Strategic Report on page 1. The Group's taxation charge on profits for the year was £4.9m (2022: £13.9m credit).

The directors have not proposed a dividend in the current financial year (2022: Nil).

Future Developments and Subsequent Events

The Directors expect to continue to see both occupancy and room rate increases, leading to improved business profitability and cash generation. Since June 2023, the Group has rebranded Great Cumberland Place to Thistle Park Lane and will reopen in Autumn 2023. This is expected to provide an increase in occupancy rates.

On 29 September 2023 the Group and Company concluded the refinancing of its external borrowings. The current facilities were refinanced with a total of £200m RCF, £150m of which is committed. £128m was initially drawn down. See note 27 for further details.

Post balance sheet events have been detailed in note 27.

Directors & directors' interests

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

Leng Hai Kwek
Seong Aun Chew
Cynthia Cheng
Jonathan Scott (appointed 5 December 2022, resigned 7 February 2023)
Gavin Taylor (appointed 12 April 2023)

No director had any interests in, or rights to subscribe for, shares or debentures in the Company or any fellow subsidiary during the financial year.

Leng Hai Kwek and Seong Aun Chew are directors of the intermediate parent company, GL Limited, and their interests in its shares and share options are disclosed in that company's financial statements.

The directors benefited from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

Going concern

After making due enquiries, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The basis of this assessment is detailed on page 18. For this reason they continue to adopt the going concern basis in preparing the accounts.

The Company has net assets of £424.4m (2022: £391.8m) and a modest gearing ratio of 26% (2022: 33%).

The Group has net assets of £450.5m (2022: £440.4m (restated, see note 30)) and a modest gearing ratio of 25% (2022: 30% (restated)).

The Gearing Ratio Calculation has been calculated as follows:

$$\frac{\text{Borrowings}}{\text{Borrowings} + \text{Total Equity}}$$

Financial Risk

The Group's policy and objectives related to financial risk management, including the policy for hedging, is considered in Note 20 to the financial statements. This also considers the position in relation to credit risk, liquidity risk and interest rate risk.

Employee matters

The Group's policy of providing team members with information about the Company and the Group has continued and regular meetings are held between management and team members to allow exchanges of information and ideas.

The Group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing team members become disabled, it is the Group's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

See Engaging with our stakeholder's section in the Strategic report on page 2 for further information on how we engage with our team members.

Charitable Donations and Political contributions

The Company made no charitable donations or incurred any political expenditure during the year (2022: Nil).

Directors' Report (continued)

Carbon emissions

In line with the government's Streamlined Energy and Carbon Reporting (SECR) requirements the Group are required to report the organisation's carbon emissions for the year ended 30 June 2023.

The location-based total greenhouse gas emissions for the Group for financial year ending 30 June 2023 were 11,384 tCO₂e, marking an 11% increase from the previous year's 10,225 tCO₂e. The sources of these emissions are electricity, natural gas, and gas oil. Notably, gas consumption saw the most significant year-on-year increase of 20%, rising from 4,240 to 5,078 tCO₂e. Meanwhile, emissions from electricity and gas oil rose by 5% and 12%, respectively.

Importantly, the market-based total greenhouse gas emissions for the Group were 5,632 tCO₂e only. The market-based reporting approach allows renewable-sourced electricity to be classified as zero carbon emissions, permitting the quantification of emission reductions resulting from the Group's investment in renewable electricity supply contracts. Following this methodology, the Group's emissions from electricity saw a significant 79% year-on-year reduction, decreasing from 2,472 tCO₂e to 526 tCO₂e. This decrease stems from the fact that all electricity consumed during this period was entirely REGO-backed and thus, eliminating the need for a residual factor to be applied to any non-REGO electricity consumed. As a result, gas consumption currently stands as the most substantial contributor to the Group's total annual emissions, accounting for roughly 90%.

In adherence to the SECR guidelines, the Group has calculated the ratio of annual emissions to a chosen business activity indicator, Revenue in £ millions. Therefore, the location-based intensity ratio for the year ending 30 June 2023 is 57.1 tCO₂e per £million, signifying a 26% decrease from the previous year. While the market-based intensity ratio for the year ending 30 June 2023 stands at 28.2 tCO₂e per £million, marking a 45% decrease year-on-year.

Greenhouse gas emissions

Greenhouse gas emissions by year (tCO₂e) – location based*

Emissions source	2022/23	2021/22	% change	% share
Purchased electricity	6,278	5,961	5%	55.1%
Natural Gas	5,078	4,240	20%	44.6%
Gas Oil	27	24	12%	0.2%
Total Emissions (tCO₂e)	11,384	10,225	11%	100.0%
Revenue (£m)	199	132	51%	
Intensity (tCO ₂ e per £m)	57.1	77.4	-26%	

Greenhouse gas emissions by year (tCO₂e) – market-based*

Emissions source	2022/23	2021/22	% change	% share
Purchased electricity	526	2,472	-79%	9.3%
Natural Gas	5,078	4,240	20%	90.2%
Gas Oil	27	24	12%	0.5%
Total Emissions (tCO₂e)	5,632	6,736	-16%	100.0%
Revenue (£m)	199	132	51%	
Intensity (tCO ₂ e per £m)	28.2	51.0	-45%	

*Market-based emissions figure for purchased electricity reflects our investment in zero-carbon electricity tariffs for our buildings. In the terms of the Greenhouse Gas Protocol, the accounting of zero carbon electricity tariffs is called 'market-based', as opposed to 'location-based', reporting. Location-based reporting does not consider the electricity supply contracts, which a company has procured and instead uses a national carbon emissions factor to calculate the emissions from the generation of electricity, reflecting the diverse source of electricity generation supplied to the national grid. Thus, the emissions reported for electricity, under the market-based methodology, in 2022-2023 only considers transmission and distribution losses. Emissions reported for electricity in 2021-2022 has been uplifted to account for residual factor applied to consumption prior the commencement of the REGO contract in October 2021 (i.e., between 1st July and 30th September 2021).

Directors' Report (continued)

Carbon emissions (continued)

Greenhouse gas emissions by scope (tonnes CO₂e) – location-based**

Emissions source	Scope 1	Scope 2	Scope 3	Total
Electricity	0	5,752	526	6,278
Natural Gas	5,078	0	0	5,078
Gas Oil	27	0	0	27
Total Emissions (tCO ₂ e)	5,106	5,752	526	11,384
Share of Total	45%	51%	5%	

Greenhouse gas emissions by scope (tonnes CO₂e) – market-based**

Emissions source	Scope 1	Scope 2	Scope 3	Total
Electricity	0	0	526	526
Natural Gas	5,078	0	0	5,078
Gas Oil	27	0	0	27
Total Emissions (tCO ₂ e)	5,106	0	526	5,632
Share of Total	91%	0%	9%	

**Scope 1: Natural gas and gas oil. Scope 2: Electricity (generation). Scope 3: Losses from electricity distribution and transmission (T&D). This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

Energy consumption

Energy source	2021/22	2022/23	% Change	% Share
Electricity	25,789,730	29,744,249	15%	50.7%
Natural Gas	23,148,867	27,820,974	20%	47.4%
Gas Oil	1,020,479	1,130,659	11%	1.9%
Total Energy Consumption (kWh)	49,959,076	58,695,882	17%	100.0%
Total Gross Annual Revenue (£m)	132	199	51%	
Intensity (kWh per £m)	377,992	294,407	-22%	

Directors' Report (continued)

Carbon emissions (continued)

Boundary, methodology and exclusions

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. An operational control approach to the Group emissions boundary is defined as: "Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation".

This approach captures emissions associated with the operation of all buildings such as warehouses, offices and manufacturing sites, plus company-owned and leased transport. This report covers UK operations only, as required by SECR for Non-Quoted Large Companies.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions have been calculated using the 2022 conversion factors provided by the UK Government for the year 2022-2023. There are no material omissions from the mandatory reporting scope.

Energy efficiency initiatives

The Group has continued to focus on driving the ESG program 'Sustainable Stays Caring Ways' supported by the four pillars – Towards a Greener Future, Empowering our People, Conducting Business with Honour, Caring for the Community, seeking to minimise our environmental footprint.

We have launched 'Green Teams' across all hotels with 45 ambassadors focused on initiatives to reduce utility consumption. We continue to only use 100% renewable energy, over 60% of waste generated is recycled, and all remaining waste is zero to landfill. We are increasing the use of eco-friendly materials, such as replacing plastic key cards and introducing bulk toiletry amenities, and also local sourcing within our supply chain to reduce our carbon footprint. We have developed a curriculum at our team member training centre, The Academy, ensuring our teams have access to resources and education to help increase awareness and accountability relating to sustainable practices. Our teams have been making a difference by having a 'big clean out' to repurpose items like furniture, kitchen equipment and laptops for schools, and participating in local litter picks, clean ups and planting drives. We have now initiated the planning stage of our Net Zero Pathway - Scope 1, 2, 3, and working towards finalizing our strategy with defined measures and timeline targets to ensure we can deliver on our program.

We are continually working to reduce single-use plastic from within our supply chains. We have moved to paper straws, and, where feasible, changed supply to recyclable & or from recyclable sources for products and packaging. We have recently removed plastic keycards at The Cumberland Hotel and replaced with Eco friendly Bamboo cards, and we are now looking to potentially introduce into the Thistle Hotels.

An external energy consultant has also been appointed to develop a Net Zero Pathway. A full estate review and assessment is to be completed in the next financial year to determine energy profile of the Group. The strategy will then be determined with targets set and a project plan developed.

The Group are also actively taking part in ESOS Phase 3 compliance and have carried out assessments at four of our hotels.

Risk Management & Internal Controls

The Board recognises the importance of a sound system of internal controls to safeguard shareholders' interests and investments and the Group's assets, and to manage risks. The Board determines the Group's risk profile and oversees the formulation, implementation and monitoring of the Group's internal controls. Management articulates the Group's risk policies by identifying significant risks which might impact the Group's business. The Group maintains a Risk Register which is reviewed periodically by the Board and management of Guoco Group Limited, the intermediate parent of the Group. A risk rating system has been established to identify the tolerance level for the various identified risks and to determine the likelihood of incidence of such risks. Guidelines and strategies for the mitigation of such risks are set out in the Risk Register. The Board ensures the effective implementation and monitoring of internal controls by management and the Internal Audit Department. The Internal Audit Department reports directly to the Board. The Internal Audit Department adheres to an audit plan approved by the Board in reviewing and testing the adequacy and effectiveness of the Group's internal controls. On an annual basis, an Internal Audit and Risk Assurance Report is presented to the Board on significant risks and risk exposures impacting the Group's key businesses and the measures taken by management to address them. The Board recognises that no system of control will provide absolute assurance against material misstatement or loss. However, based on reviews carried out by the Internal Audit Department and management, the Board is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems, are adequate and effective. On 31 October 2023, the Board received assurance from Gavin Taylor and Richard Hutton, who are the Chief Executive Officer and Chief Financial Officer respectively of the Company, that:

- The financial records of the Company have been properly maintained and the financial statements for the year ended 30 June 2023 give a true and fair view of the Company's operations and finances; and
- The Company's system of risk management and internal controls is effective in addressing the material risks in its current business environment including financial, operational, compliance and information technology risks.

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 he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report *(continued)*

Auditor

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

By order of the board



Gavin Taylor

Director

31 October 2023

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

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the United Kingdom (IFRSs as adopted by the UK) and applicable law, and have elected to prepare the Company financial statements on the same basis.

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 Group and Company and of their profit or loss for that year. In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the UK;
- assess the Group's and 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 Group or 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 its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Gavin Taylor

Director

31 October 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLERMONT HOTEL GROUP LIMITED

Opinion

We have audited the financial statements of Clermont Hotel Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 June 2023 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Parent Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Company's financial statements is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the UK.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statement section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements for the year ended 30 June 2023 does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of our knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you, if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, 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 CLERMONT HOTEL GROUP LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for hotel and restaurant businesses, such as minimum wage and food hygiene regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- inspecting correspondence with regulators and tax authorities;
- discussions with management and reviewing board minutes for indications of known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluating management's controls designed to prevent and detect irregularities;
- reviewing sales either side of the year end to ensure that the income has been recognised in the correct financial period;
- identifying and testing journals, in particular journal entries posted with a round sum value, that significantly impact profit or contain key words; and;
- challenging assumptions and judgements made by management in their critical accounting estimates, particularly in respect of their assessment of impairment of the carrying value of property, plant and equipment and right-of-use assets, the recognition of deferred tax assets, the valuation of investments in subsidiaries and the recoverability of receivables

Due to the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

J Edwards

Jessica Edwards (Senior Statutory Auditor)
for and on behalf of Haysmacintyre LLP, Statutory Auditor
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

Date: 31 October 2023

**Consolidated statement of profit and loss and other comprehensive income
for the year ended 30 June 2023**

		Year ended 30 June 2023	Year ended 30 June 2022
	Note	£000's	£000's
Revenue	3	254,299	132,104
Finance Income	6	739	147
Depreciation	4	(24,405)	(27,452)
Management fees	25	(26,149)	(11,920)
Franchise fees		(1,408)	(953)
Employee costs	5	(54,628)	(36,787)
Finance costs	7	(43,786)	(43,146)
Professional Fees		(6,067)	(5,429)
Direct expenses		(13,563)	(7,174)
Property management cost		(30,539)	(24,393)
Rooms commissions		(15,332)	(8,334)
Food and beverage cost of sales		(10,536)	(6,978)
Other income		7,086	8,070
Loss on Disposal of Property, Plant and Equipment	8	(761)	(1,711)
Impairment of Fixed Assets and Right-of-use Assets	4	-	(7,285)
Provisions made	18	(214)	(890)
Other costs		(13,464)	(11,056)
Profit/(Loss) before tax		21,272	(53,187)
Taxation (charge)/credit	9	(4,879)	13,887
Profit/(Loss) for the year		16,393	(39,300)
Profit/(Loss) for the year attributable to:			
Equity holders of the parent		16,393	(39,300)
Non-controlling interest		-	-
Profit/(Loss) for the year		16,393	(39,300)
Other comprehensive income			
<u>Items that will not be reclassified to Profit or Loss</u>			
Actuarial (losses)/gains on defined benefit pension plans	24	(8,124)	4,040
Deferred tax credit/(charge) on other comprehensive income	9	1,450	(1,353)
Current tax credit on other comprehensive income	9	477	-
<u>Items that are or may be reclassified subsequently to profit or loss</u>			
Change in fair value on cashflow hedge	17	(205)	2,397
Deferred tax credit/(charge) on change in fair value on cash flow hedge	9	51	(576)
Total comprehensive income for the year		10,042	(34,792)
Total comprehensive income for the year attributable to:			
Equity holders of the parent		10,042	(34,792)
Non-controlling interest		-	-
Total comprehensive income for the year		10,042	(34,792)

There were no items of recognised income or expense other than as shown in the Consolidated Statement of Profit and Loss and Other Comprehensive Income above.

The accompanying notes on pages 18 to 45 form an integral part of these financial statements.

**Consolidated and company statement of financial position
for the year ended 30 June 2023**

		Group		Company	
	Note	30 June 2023	30 June 2022 (Restated) ¹	30 June 2023	30 June 2022
		£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	776,180	777,485	-	-
Investment in subsidiaries	11	-	-	679,981	668,792
Right-of-use assets	12	505,843	433,681	-	-
Deferred tax assets	19	40,636	41,656	3,860	4,328
Pension benefit surplus	24	6,683	12,484	6,683	12,484
Trade and other receivables	14	57,176	68,279	58,885	72,833
Derivative financial instrument	17	-	730	-	730
Total non-current assets		1,386,518	1,334,315	749,409	759,167
Current assets					
Inventories	13	499	816	-	-
Trade and other receivables	14	12,192	21,145	147	371
Derivative financial instrument	17	525	-	525	-
Income tax receivable		-	-	1,504	-
Cash and cash equivalents		29,215	20,947	24,988	17,211
Total current assets		42,431	42,908	27,164	17,582
Total assets		1,428,949	1,377,223	776,573	776,749
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	21	79,655	79,655	79,655	79,655
Share premium	21	66,171	66,171	66,171	66,171
Hedging reserve	22	395	549	395	549
Retained earnings	23	306,244	296,048	278,215	245,466
		452,465	442,423	424,436	391,841
Non-controlling interest	23	(1,983)	(1,983)	-	-
Total equity		450,482	440,440	424,436	391,841
Non-current liabilities					
Borrowings	16	-	192,669	-	192,669
Trade and other payables	15	124,503	119,409	124,503	119,409
Lease liabilities	12	642,181	576,402	-	-
Provisions	18	6,206	6,717	6,206	6,717
Total non-current liabilities		772,890	895,197	130,709	318,795
Current liabilities					
Borrowings	16	147,947	-	147,947	-
Trade and other payables	15	43,238	33,482	72,832	63,055
Income tax payable		2,458	1,211	-	2,387
Lease liabilities	12	7,028	6,222	-	-
Provisions	18	4,906	671	649	671
Total current liabilities		205,577	41,586	221,428	66,113
Total liabilities		978,467	936,783	352,137	384,908
Total equity and liabilities		1,428,949	1,377,223	776,573	776,749

The Parent Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of profit and loss and other comprehensive income in these financial statements. The profit after tax of the Parent Company for the year was £38.9m (2022: £107.0m loss).

¹ See note 30 for details on the prior period restatement.

**Consolidated and company statement of financial position
for the year ended 30 June 2023 *(continued)***

The accompanying notes on pages 18 to 45 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 31 October 2023 and were signed on its behalf by:



Gavin Taylor

Director

31 October 2023

Consolidated statement of changes in equity for the year ended 30 June 2023

	Share Capital	Share Premium	Hedging Reserve	Retained Earnings	Non- Controlling Interests	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 30 June 2021	79,655	10,794	(1,272)	315,020	(1,983)	402,214
Prior period adjustment ²	-	-	-	2,090	-	2,090
Balance at 30 June 2021 (restated)	79,655	10,794	(1,272)	317,110	(1,983)	404,304
Total comprehensive income for the year						
Loss	-	-	-	(39,300)	-	(39,300)
Other comprehensive income	-	-	2,397	4,040	-	6,437
Deferred tax on other comprehensive income	-	-	(576)	(1,353)	-	(1,929)
Issue of capital	-	55,377	-	-	-	55,377
Gain on lease disposal (note 12)	-	-	-	19,198	-	19,198
Tax charge on lease disposal	-	-	-	(3,647)	-	(3,647)
Balance at 30 June 2022 (restated)	<u>79,655</u>	<u>66,171</u>	<u>549</u>	<u>296,048</u>	<u>(1,983)</u>	<u>440,440</u>
Total comprehensive income for the year						
Profit	-	-	-	16,393	-	16,393
Other comprehensive income	-	-	(205)	(8,124)	-	(8,329)
Deferred tax on other comprehensive income	-	-	51	1,450	-	1,501
Current tax on other comprehensive income	-	-	-	477	-	477
Balance at 30 June 2023	<u>79,655</u>	<u>66,171</u>	<u>395</u>	<u>306,244</u>	<u>(1,983)</u>	<u>450,482</u>

Company statement of changes in equity for the year ended 30 June 2023

	Share Capital	Share Premium	Hedging Reserve	Retained Earnings	Total
	£000's	£000's	£000's	£000's	£000's
Balance at 30 June 2021	79,655	10,794	(1,272)	349,804	438,981
Total comprehensive income for the year					
Loss	-	-	-	(107,025)	(107,025)
Other Comprehensive income	-	-	2,397	4,040	6,437
Deferred Tax on other comprehensive income	-	-	(576)	(1,353)	(1,929)
Issue of Capital	-	55,377	-	-	55,377
Balance at 30 June 2022	<u>79,655</u>	<u>66,171</u>	<u>549</u>	<u>245,466</u>	<u>391,841</u>
Total comprehensive income for the year					
Profit	-	-	-	38,946	38,946
Other comprehensive income	-	-	(205)	(8,124)	(8,329)
Deferred Tax on other comprehensive income	-	-	51	1,450	1,501
Current Tax on other comprehensive income	-	-	-	477	477
Balance at 30 June 2023	<u>79,655</u>	<u>66,171</u>	<u>395</u>	<u>278,215</u>	<u>424,436</u>

The accompanying notes on pages 18 to 45 form an integral part of these financial statements.

² See note 30 for details on the prior period adjustment.

**Consolidated and company statement of cash flows
for the year ended 30 June 2023**

	Group		Company	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Profit/(Loss) for the year	16,393	(39,300)	38,946	(107,025)
Adjustments for:				
Taxation	4,879	(13,887)	(825)	(5,507)
Finance Costs	43,786	42,571	7,746	7,594
Finance Income	(739)	(147)	(739)	(2,066)
Impairment of Investments	-	-	80,393	35,937
Impairment of property, plant and equipment	-	2,175	-	-
Impairment of right-of-use assets	-	5,110	-	-
Depreciation	24,405	27,452	-	-
Pension fund payments in excess of P&L charge	(1,824)	(3,515)	(1,824)	(3,515)
Amortisation of debenture fees	-	575	-	575
Loss on disposal of fixed assets	761	1,711	-	-
Changes in working capital:				
Decrease/(increase) in inventories	317	(251)	-	-
Decrease/(increase) in trade & other receivables	23,566	33,323	(77,410)	(91,210)
Increase/(decrease) in trade & other payables	9,623	(34,524)	13,850	126,111
Increase/(decrease) in provisions	214	890	(533)	890
Cash generated from/ (used in) operating activities	121,381	22,183	59,604	(38,216)
Interest paid	(38,207)	(41,167)	(6,359)	(7,514)
Tax (paid)/refund	(633)	578	(633)	578
Net cash generated from/used in operating activities	82,540	(18,406)	52,612	(45,152)
Cash flows from investing activities				
Purchase of property, plant and equipment	(13,716)	(5,239)	-	-
Interest received	240	19	240	19
Net cash (used in)/generated from investing activities	(13,476)	(5,220)	240	19
Cash flows from financing activities				
Repayment of lease liabilities	(15,722)	(17,740)	-	-
Drawdown of loan facility	5,000	87,000	5,000	87,000
Repayment of loan facility	(50,000)	(51,000)	(50,000)	(51,000)
Repayment of debentures	-	(55,377)	-	(55,377)
Issue of capital	-	55,377	-	55,377
Loan fees paid	(75)	(202)	(75)	(202)
Net cash (used in)/generated from financing activities	(60,797)	18,058	(45,075)	35,798
Net increase/(decrease) in cash and cash equivalents	8,268	(5,568)	7,777	(9,335)
Cash and cash equivalent at the start of the year	20,947	26,515	17,211	26,546
Cash and cash equivalents at the end of the year	29,215	20,947	24,988	17,211
<i>Trade and other payables includes the following non-cash adjustments:</i>				
Tax transferred from related parties	-	676	-	-
Interest accrued not paid	(110)	(90)	(110)	(90)
Intercompany interest	(5,116)	(1,144)	(925)	1,919
Allocation of Group tax payment arrangement	-	-	-	(568)
Property, plant and equipment transfers from related parties	-	(158,645)	-	-
<i>Trade and other receivables includes the following non-cash adjustments:</i>				
Insurance claims provision (note 18)	3,510	-	-	-
Investment in subsidiary	-	-	91,582	157,232

The accompanying notes on pages 18 to 45 form an integral part of these financial statements.

Notes to the financial statements

1 – Accounting policies

(A) Basis of preparation

Clermont Hotel Group Limited (the “Company”) is a private company limited by share capital incorporated, domiciled and registered in England in the UK. The registered number is 00262958 and the registered address is 110 Central Street, London, EC1V 8AJ.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”). The Company financial statements present information about the Company as a separate entity and not about its group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the UK (“Adopted IFRSs”). The Company has elected to prepare its Company financial statements in accordance with Adopted IFRSs; these are presented on pages 13 to 45.

On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of profit and loss and other comprehensive income and related notes that form a part of these approved financial statements.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

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.

Going Concern

The financial statements have been prepared on a going concern basis.

The Clermont Group (Cayman) Limited and its subsidiaries (“the Clermont Group”, which includes the Group and the Company) have prepared consolidated cash flow forecasts for a period to 30 June 2025 which show the Clermont Group is able to meet its financial obligations as they fall due.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. These financial statements have been prepared and approved by the directors under the historical cost convention and in accordance with Adopted IFRSs.

(B) Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The following amendments issued by the IASB that are effective for annual periods beginning after 1 July 2022 have been applied by the Group and the Company. There has been no significant impact on the Group's and the Company's financial statements:

International Financial Reporting Standards

- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to IAS 37);
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16);
- *Annual Improvements to IFRS Standards 2018-2020* (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- *References to Conceptual Framework* (Amendments to IFRS 3).

(C) Future changes to accounting standards

There are a number of standards and interpretations issued by the IASB that are effective for annual periods beginning after 1 July 2023 and earlier application is permitted; however, the Group and Company has not early adopted the amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's and the Company's financial statements:

International Financial Reporting Standards

- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2);
- *Definition of Accounting Estimates* (Amendments to IAS 8);
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12);

The following amendments are effective for the period beginning 1 January 2024:

- *Liability in a Sale and Leaseback* (Amendment to IFRS 16 Leases)
- *Classification of Liabilities as Current or Non-current* (Amendment to IAS 1 Presentation of Financial Statements)
- *Non-current Liabilities with Covenants* (Amendment to IAS 1 Presentation of Financial Statements)

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(D) Measurement convention

The financial statements are prepared on the historical cost basis except for certain assets and liabilities which are measured at fair value as described below.

(E) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Joint Arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Application of the equity method to joint ventures

Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to Nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

(F) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Separate company financial statements.

In the Company financial statements, all investments in subsidiaries are carried at cost less impairment.

(G) Property, plant and equipment

All property, plant and equipment is stated at cost or deemed cost less depreciation and any necessary provision for accumulated impairment.

Depreciation is provided in equal instalments to write off property, plant and equipment to their estimated residual value over their expected useful economic lives on a straight line basis. The principal expected useful economic lives are:

Freehold Land	Not depreciated
Core elements of freehold buildings	Up to 100 years
Integral plant and non-core elements of buildings	15 to 30 years
Plant and equipment & fit out cost	3 to 15 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Repairs and maintenance costs are expensed as incurred.

(H) Leases

As a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

Notes to the financial statements *(continued)*

1 – Accounting policies *(continued)*

(H) Leases *(continued)*

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group made a remeasurement in the current year of £82,307,000 (2022: £20,786,000).

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-financial assets excluding inventories and deferred tax assets' policy.

The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B and has not restated prior period figures.

As a lessor

The Group assesses the classification of a sub-lease with reference to the right-of-use asset. All of the Group's recognised sub-leases have been assessed to fall as operating leases under IFRS 16. Income is therefore recognised on a straight-line basis through the profit and loss.

(I) Inventories

Inventories comprise food, beverages and retail vouchers for resale and are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

Cost is based on the first-in first-out principle that includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

(J) Classification of financial instruments

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(K) Classification of non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

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 Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Investments in debt and equity securities

Financial instruments held for trading are stated at fair value, with any resultant gain or loss recognised in profit or loss.

(L) Classification of derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(M) Cash flow hedge

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income ("OCI") and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and is immediately reclassified to profit or loss.

The Group early adopted the amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform issued in September 2020 as part of its project on interest rate benchmark reform. Under the temporary exemptions from applying specific hedge accounting requirements, Interbank Offered Rates ("IBOR") are assumed to continue unaltered for the purposes of hedge accounting until such time as the uncertainty is resolved. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform. The Group will cease to apply the amendments to its retrospective and prospective effectiveness assessment of the hedging relationship when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued. However, as at 30 June 2023, the uncertainty continued to exist and so the temporary exemptions apply to all of the Group's hedge accounting relationships that reference benchmarks subject to reform or replacement.

(N) Impairment of non-derivative financial assets

The Group uses an expected credit loss ("ECL") model. The impairment model applies to financial assets measured at amortised cost but not to equity investments. The Group measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost of effort. This includes quantitative and qualitative information, analysis based on the Group's historical experience and informed credit assessment, that includes forward looking information.

The Group assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due.

Notes to the financial statements *(continued)*

1 – Accounting policies *(continued)*

(N) Impairment of non-derivative financial assets *(continued)*

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions; or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECL's are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being than 90 days past due;
- it is probable the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Group makes an assessment with respect to the timing and amount of write-off for each customer based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

(O) Impairment of non-financial assets excluding inventories and deferred tax assets

The carrying amounts of the Group's non-financial assets, other than inventories 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" or "CGU").

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 to reduce the carrying amounts of assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(P) Provisions

A provision is recognised in the statement of financial position when the Group 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

(Q) Revenue

Revenue from hotel operations is recognised in the profit and loss at the point at which room and related services are provided. Revenue from hotel operations includes income earned from sales of food and beverages, meetings and events income, shop merchandise sales and other miscellaneous income. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration. The Group's shop merchandise sales revenue is recognised when the goods are accepted by customers at the shop. All revenue is excluding VAT and is generated in the UK.

(R) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(S) Financing income and costs

Financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

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

(T) Foreign currency

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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 sterling at foreign exchange rates ruling at the dates the fair value was determined.

(U) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

(V) Defined benefit pension schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), adjusted for employer contributions paid into the Scheme.

The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

A formal actuarial valuation is performed at least once every three years by a qualified actuary and informal valuations are carried out in the intervening years using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Re-measurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in OCI and all expenses related to defined benefit plans in employee costs in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

(W) Retirement benefit costs

Payments to defined contribution pension schemes are charged as an expense as they fall due. For defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit actuarial cost method, with informal actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and are presented in OCI.

Both current and past service costs are the amounts recognised in the income statement, reflecting the expense associated with the individuals. Current service cost represents the increase in the present value of the scheme liabilities expected to arise from employee service in the current period. Past service cost is recognised immediately to the extent that the benefits are already vested. Gains and losses on curtailments or settlements are recognised in the income statement in the period in which the curtailment or settlement occurs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligations as adjusted for unrecognised past service costs, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds (which is only recognised to the extent that the Group has an unconditional right to receive it) and reductions in future contributions to the scheme. To the extent that an economic benefit is available as a reduction in future contributions and there is a minimum funding requirement required of the Group, the economic benefit available as a reduction in contributions is calculated as the present value of the estimated future service cost in each year, less the estimated minimum funding contributions required in respect of the future accrual and benefits in the year.

(X) Government grants

The Group recognises government grants related to income in the period that the expense is incurred.

The Group has adopted to deduct income related government grants from the relevant expense in the statement of profit and loss and other comprehensive income.

There are no unfulfilled conditions attached to the government grants recognised in the period.

Notes to the financial statements (continued)

1 – Accounting policies (continued)

(Y) Franchise fees

Expenses from franchise fees are recognised in the profit or loss at the point in which the fees are due, based on the underlying franchise agreement.

(Z) Valuation of investments

Investments in subsidiaries are stated in the financial statements at the lower of cost and recoverable amount. Any resulting impairment loss is taken to the profit and loss account.

2 – Operating Segments

The Group operates under three core brands: Clermont, Thistle and The Cumberland (2022: Hard Rock). All hotels are operated in or around the London area and there is no one customer that represents a material proportion of the Group's total revenues. On 17 May 2023, the Hard Rock Hotel London was rebranded to The Cumberland. Following the Group's rebrand on 1 November 2022, the Tower Hotel and Great Cumberland Place are now reported under Thistle (2022: Guoman) and the Royal Horseguards Hotel under The Clermont (2022: Guoman).

Profit and loss statement for the year ended 30 June 2023

	Clermont £000's	Thistle £000's	The Cumberland £000's	Central £000's	Total £000's
Revenue	63,471	148,994	41,834	-	254,299
Other income	1,825	3,964	1,297	-	7,086
Depreciation	(4,817)	(11,706)	(7,882)	-	(24,405)
Management fees	(6,630)	(15,220)	(3,365)	(934)	(26,149)
Employee costs	(13,539)	(30,591)	(10,498)	-	(54,628)
Net finance costs	(274)	(9,969)	(25,796)	(7,008)	(43,047)
Other (costs)/income	(21,060)	(49,831)	(21,297)	304	(91,884)
Profit/(loss) before tax	18,976	35,641	(25,707)	(7,638)	21,272
Tax (expense)/credit	(3,627)	(8,497)	6,420	825	(4,879)
Profit/(loss) for the year	15,349	27,144	(19,287)	(6,813)	16,393

Profit and loss statement for the year ended 30 June 2022

	Guoman £000's	Clermont £000's	Thistle, Thistle Express £000's	Hard Rock £000's	Central £000's	Total £000's
Revenue	39,911	19,515	48,816	23,862	-	132,104
Depreciation	(6,002)	(3,309)	(10,834)	(7,307)	-	(27,452)
Management fees	(3,678)	(1,890)	(4,643)	(1,531)	(178)	(11,920)
Employee costs	(11,466)	(5,063)	(12,234)	(8,016)	(8)	(36,787)
Net finance costs	(3,611)	(101)	(10,629)	(22,554)	(6,104)	(42,999)
Other costs	(15,964)	(7,014)	(26,324)	(13,480)	(3,351)	(66,133)
(Loss)/profit before tax	(810)	2,138	(15,848)	(29,026)	(9,641)	(53,187)
Tax (expense)/credit	(573)	(375)	12,010	(2,682)	5,507	13,887
(Loss)/profit for the year	(1,383)	1,763	(3,838)	(31,708)	(4,134)	(39,300)

Notes to the financial statements (continued)

2 – Operating Segments (continued)

Statement of financial position as at 30 June 2023

	Clermont £000's	Thistle £000's	The Cumberland £000's	Central £000's	Total £000's
Non-current assets					
Property, plant and equipment	288,164	442,823	45,193	-	776,180
Right-of-use assets	8,410	140,805	356,628	-	505,843
Trade and other receivables	-	-	-	57,176	57,176
Pension benefit surplus	-	-	-	6,683	6,683
Deferred tax assets	4,691	11,873	20,211	3,861	40,636
Current assets					
Inventories	127	211	161	-	499
Trade and other receivables	25,286	46,099	8,043	(67,236)	12,192
Cash and cash equivalents	1,029	2,546	652	24,988	29,215
Derivative financial instrument	-	-	-	525	525
Non-current liabilities					
Trade and other payables	-	-	-	(124,503)	(124,503)
Lease Liabilities	(8,500)	(196,217)	(437,464)	-	(642,181)
Provisions	-	-	-	(6,206)	(6,206)
Current liabilities					
Borrowings	-	-	-	(147,947)	(147,947)
Trade and other payables	(9,408)	(28,735)	(53,627)	48,532	(43,238)
Lease Liabilities	(13)	(5,687)	(1,328)	-	(7,028)
Provisions	-	(747)	(3,510)	(649)	(4,906)
Income tax	(8,456)	(6,710)	11,204	1,504	(2,458)
Net assets/(liabilities)	301,330	406,261	(53,837)	(203,272)	450,482

Statement of financial position as at 30 June 2022

	Guoman £000's	Clermont £000's	Thistle, Thistle Express (restated) £000's	Hard Rock £000's	Central £000's	Total (restated) £000's
Non-current assets						
Property, plant and equipment	345,939	161,654	228,726	41,166	-	777,485
Right-of-use assets	8,530	-	104,041	321,110	-	433,681
Pension benefit surplus	-	-	-	-	12,484	12,484
Derivative financial instrument	-	-	-	-	730	730
Deferred tax assets/(liabilities)	2,027	(1,173)	19,005	17,469	4,328	41,656
Trade and other receivables	-	-	-	-	68,279	68,279
Current assets						
Inventories	131	80	105	500	-	816
Trade and other receivables	13,482	8,402	58,120	3,914	(62,773)	21,145
Cash and cash equivalents	612	704	1,698	722	17,211	20,947
Non-current liabilities						
Borrowings	-	-	-	-	(192,669)	(192,669)
Lease Liabilities	(8,541)	-	(163,776)	(404,085)	-	(576,402)
Provisions	-	-	-	-	(6,717)	(6,717)
Trade and other payables	-	-	-	-	(119,409)	(119,409)
Current liabilities						
Lease Liabilities	(32)	-	(5,282)	(908)	-	(6,222)
Provisions	-	-	-	-	(671)	(671)
Income tax	(5,812)	(730)	192	7,526	(2,387)	(1,211)
Trade and other payables	(28,168)	(9,454)	(40,684)	(81,250)	126,074	(33,482)
Net assets/(liabilities)	328,168	159,483	202,145	(93,836)	(155,520)	440,440

Notes to the financial statements (continued)

3 – Revenue

Revenue consists of the following revenue streams:

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Rooms revenue	192,249	94,935
Food and beverage	27,352	18,992
Meetings and events	9,727	7,042
Other revenue	24,971	11,135
	254,299	132,104

Other revenue in current and prior financial year mainly includes rent receivable.

4 – Expenses and Auditor's Remuneration

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
The Group's profit/(loss) before tax includes the following:		
Auditors' remuneration:		
Audit of the Company's financial statements	30	29
Audit of financial statements of subsidiaries	238	306
Pension Scheme audit – defined benefit scheme	15	15
Audit-related assurance services	5	5
Depreciation of fixed assets	14,260	13,746
Depreciation of right-of-use assets	10,145	13,706
Impairment of fixed assets	-	2,175
Impairment of right-of-use assets	-	5,110
Equipment rentals payable under operating leases	11	9

5 – Employee, Directors and Key Management information

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Employee costs during the year:		
Agency wages	20,144	13,480
Employee wages and salaries	31,198	21,274
Employer's social security costs	2,573	1,798
Employer's pension costs	713	530
Government grant	-	(295)
	54,628	36,787
Average monthly staff employed:		
Hotel Operating Staff (excluding agency)	1,368	937

All employees are employed by Clermont Hotel Management Limited or Clermont Hotel HR Limited and a recharge is made by these companies in respect of the persons employed by each hotel.

The expenses for employers' pension costs include expenses related to the defined contribution schemes.

The directors are remunerated for their services to Clermont as a whole which is disclosed in the financial statements of Clermont Hotel Management Limited. An amount of £101,000 (2022: £71,000) has been apportioned to the Group based on the services performed by directors for the individual undertakings within the Group. Directors are considered to be the key management personnel.

Notes to the financial statements *(continued)*

6 – Finance income

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Bank interest received	240	9
Other interest received	-	10
Net income on retirement benefit obligations	499	128
	739	147

7 – Finance Costs

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Debenture stock and loan interest	6,469	7,310
Amortisation of debenture fees	-	575
Lease liability interest (note 12)	31,848	33,833
Interest paid to parent company of the Clermont Group	5,116	1,144
Other finance costs	353	284
	43,786	43,146

8 – Loss from Disposals of Property, Plant and Equipment

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Loss on disposal	(761)	(1,711)
	(761)	(1,711)

Notes to the financial statements (continued)

9 – Taxation

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
<i>Recognised in the statement of profit or loss</i>		
UK Corporation tax		
Current tax on profit/loss for the year	2,358	(1,722)
Adjustments in respect of previous years	-	(1,266)
Current tax charge/(credit)	2,358	(2,988)
<i>Deferred taxation</i>		
Current year tax charge/(credit)	2,586	(10,818)
Adjustments in respect of previous years	(613)	3,318
Effect of changes in tax rates on:		
Leases	170	132
Other deferred tax assets and liabilities	378	(3,531)
Deferred tax charge/(credit)	2,521	(10,899)
Actual tax charge/(credit) recognised in the statement of profit or loss	4,879	(13,887)
<i>Recognised in Other Comprehensive Income</i>		
Current tax on pension surplus	(477)	-
Current tax credit on other comprehensive income	(477)	-
Deferred tax on pension surplus	(1,450)	1,353
Deferred tax (credit)/charge on other comprehensive income	(1,450)	1,353
Actual tax (credit)/charge recognised in other comprehensive income	(1,927)	1,353
<i>Recognised in Equity</i>		
Current tax charge on lease disposal	-	3,647
Current tax charge recognised in equity	-	3,647
Deferred tax on interest rate swap	(51)	576
Deferred tax (credit)/charge on swap	(51)	576
Actual tax (credit)/charge recognised in equity³	(51)	4,223

Reconciliation of Effective tax rate	%	Year ended 30 June 2023 £000's	%	Year ended 30 June 2022 £000's
Profit/(loss) before tax for the year	100.0	21,272	100.0	(53,187)
Expected tax charge/(credit) at 20.5% (2022: 19.0%)	20.5	4,361	19.0	(10,118)
Adjustments in respect of previous years	(2.9)	(613)	(3.9)	2,052
Items not subject to tax or deductible for tax purposes	2.8	606	(0.5)	287
Tax rate changes:				
Leases	0.8	170	(0.2)	132
Other	1.8	378	6.6	(3,531)
Amounts not recognised	(0.1)	(23)	(0.9)	491
Corporate interest restriction	-	-	6.0	(3,200)
Actual tax charge/(credit)	22.9	4,879	26.1	(13,887)

³ The actual tax charge recognised in equity for the prior year has been recalculated and updated in the disclosure above.

Notes to the financial statements (continued)

10 – Property, plant and equipment

Group

	Land and buildings	Fit out costs, plant and equipment	Total
	£000's	£000's	£000's
Cost			
At the beginning of the year	859,292	205,148	1,064,440
Additions	1,510	12,206	13,716
Disposals	(828)	(4,916)	(5,744)
At the end of the year	<u>859,974</u>	<u>212,438</u>	<u>1,072,412</u>
Depreciation			
At the beginning of the year	128,207	158,748	286,955
Charge for the year	7,754	6,506	14,260
Disposals	(393)	(4,590)	(4,983)
At the end of the year	<u>135,568</u>	<u>160,664</u>	<u>296,232</u>
Net book value			
As at 30 June 2023	<u>724,406</u>	<u>51,774</u>	<u>776,180</u>

Group

	Land and buildings	Fit out costs, plant and equipment	Total
	£000's	£000's	£000's
Cost			
At the beginning of the year	674,346	212,404	886,750
Additions	663	4,576	5,239
Transfers	187,706	-	187,706
Disposals	(3,423)	(11,832)	(15,255)
At the end of the year	<u>859,292</u>	<u>205,148</u>	<u>1,064,440</u>
Depreciation			
At the beginning of the year	94,583	160,934	255,517
Charge for the year	6,737	7,009	13,746
Disposals	(2,661)	(10,883)	(13,544)
Impairments	487	1,688	2,175
Transfers	29,061	-	29,061
At the end of the year	<u>128,207</u>	<u>158,748</u>	<u>286,955</u>
Net book value			
As at 30 June 2022	<u>731,085</u>	<u>46,400</u>	<u>777,485</u>

Transfers in the year ended 30 June 2022 were from related parties GLH RHG Limited and GLH KG Limited. The transfers were at net book value resulting in no gain or loss.

At 30 June 2023, the Group's properties were assessed for indications of impairment.

The recoverable amount of the property is determined from a value in use calculation or fair value less costs to sell. In the value in use calculation the key assumptions used are in relation to discount and growth rates and replacement capital expenditure. Growth rates incorporate occupancy, room rate, volume and direct cost changes. Growth rates took into account external views of the London hotel market and the likely time of continuing recovery from the current economic environment. Management used a pre-tax discount factor ranging from 7.95%-13.78% (2022: 7.50%-10.52%) over the forecast period. 4% of revenue was deemed an appropriate rate for replacement capital expenditure for the Company, based on the hotel operating agreements for hotels operated by the wider group. The Group also made use of an external valuation to assess the recoverable amount of the properties within the portfolio.

All properties were supported by the value in use or fair value less costs to sell, and no impairment was recognised in the year. In the prior year, an impairment of £2,175,000 was recorded in relation to the Hyde Park hotel.

When performing the impairment review the relevant growth rates included were specific to each operating site. The process of determining these rates is discussed in note 28. This analysis took into account external views of the London hotel market and the likely time of continuing recovery from the current economic environment.

Disposals during the current and prior year related to the disposal of assets across the Group.

Notes to the financial statements (continued)

11 – Investment in subsidiaries

Company	2023 £000's	2022 £000's
Cost		
At the beginning of the financial year	1,027,242	870,010
Additions	91,582	157,232
At the end of the financial year	<u>1,118,824</u>	<u>1,027,242</u>
Impairment		
At the beginning of the financial year	358,450	322,513
Impairment made during the financial year	80,393	35,937
At the end of the financial year	<u>438,843</u>	<u>358,450</u>
Net book value as at 30 June 2023	<u>679,981</u>	<u>668,792</u>

The Company holds 100% of the ordinary shares in the following companies:

Bloomsbury Hotel (London) Limited	The Grosvenor Hotel Victoria Limited	The Cumberland Hotel (London) Limited
Euston Hotel (London) Limited	Clermont Hotel Group Limited	Barbican Hotel (London) Limited
Piccadilly Hotel (London) Limited	The Charing Cross Hotel Limited	Thistle Edinburgh Tenant Limited
Kensington Gardens Hotel (London) Limited	Heathrow Hotel (London) Limited	Clermont Hotel HR Limited
The Royal Horseguards Hotel Limited	The Wiltshire Hotel (Swindon) Limited	Trafalgar Hotel (London) Limited
The Strathmore Hotel (Luton) Limited	Marble Arch Hotel (London) Limited	Hyde Park Hotel (London) Limited

All of the companies are registered and incorporated in the United Kingdom. The registered address for all the companies is 110 Central Street, London, EC1V 8AJ.

The Company is a 50% member of the limited liability partnership in the Grand Imperial Restaurant LLP but holds a casting vote. This has been consolidated as a subsidiary in the Group financial statements. The registered address for Grand Imperial Restaurant LLP is 110 Central Street, London, EC1V 8AJ.

The directors have performed a formal impairment assessment of the carrying value of the cost of investment in subsidiary undertakings. The directors compared the value in use of each of the subsidiary undertakings, from the calculations in the property, plant and equipment impairment assessment detailed in note 10, to the carrying value of the investment in the subsidiary. See note 10 for details on key assumptions in the value in use calculations. As a result of this assessment, impairment was recorded against the Company's investment in Hyde Park Hotel (London) Limited, Barbican Hotel (London) Limited, The Cumberland Hotel (London) Limited, The Strathmore Hotel (Luton) Limited, The Wiltshire Hotel (Swindon) Limited and Euston Hotel (London) Limited.

In the prior year an impairment was recorded against the Company's investment in Heathrow Hotel (London) Limited, Hyde Park Hotel (London) Limited, Piccadilly Hotel (London) Limited and The Royal Horseguards Hotel (London) Limited.

12 – Leases

Group

Right-of-use assets comprise of leased assets that do not meet the definition of investment property.

The Group lease many assets, including property, IT equipment and other office furniture and equipment. Information about leases for which the Group is a lessee is presented below. Only property leases have been accounted for as a right-of-use assets whilst the other leases are short term and have been treated as operating leases.

Right-of-use assets

As at 30 June 2023	Property £000's	Total £000's
Balance as at 1 July 2022	433,681	433,681
Additions	82,307	82,307
Depreciation charge for the year	(10,145)	(10,145)
Balance as at 30 June 2023	<u>505,843</u>	<u>505,843</u>
As at 30 June 2022	Property £000's	Total £000's
Balance as at 1 July 2021	497,449	497,449
Additions	29,342	29,342
Disposals	(74,294)	(74,294)
Depreciation charge for the year	(13,706)	(13,706)
Impairment charge	(5,110)	(5,110)
Balance as at 30 June 2022	<u>433,681</u>	<u>433,681</u>

Notes to the financial statements (continued)

12 – Leases (Group as lessee) (continued)

Additions in the year relate to a remeasurement, as a result of a change in the future lease payments under the lease of £82,307,000 (2022: £20,786,000). Prior year additions also include the novation of an external property lease from related party GLH RHG Limited to The Royal Horseguards Hotel Limited of £8,556,000 as part of the restructuring exercise which took place on 7 April 2022.

Disposals in prior year relate to the termination of leases held with related parties GLH RHG Limited and GLH KG Limited on 7 April 2022.

Depreciation charge for the year is on a straight-line basis over the remaining term of the underlying lease. The assets were assessed for indicators of impairment at year end, with no impairment deemed required. See note 28 for details on key judgements and estimates in relation to the assessment. An impairment charge was recognised in the prior year in relation to the right-of-use asset of the Hyde Park hotel.

Lease liabilities

Lease liabilities included in the statement of financial position:

	30 June 2023 £000's	30 June 2022 (restated) ⁴ £000's
Current	7,028	6,222
Non-current	642,181	576,402
	<u>649,209</u>	<u>582,624</u>
<i>Maturity Analysis</i>	<i>30 June 2023 £000's</i>	<i>30 June 2022 £000's</i>
Less than one year	39,998	37,884
One to five years	160,050	142,838
More than five years	2,037,862	1,767,171
Total undiscounted lease liabilities	<u>2,237,910</u>	<u>1,947,893</u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The leases operated by the Group contain extension options, enforceable and exercisable by the Group, up to one year before the end of the non-cancellable contract period. Where practical, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control. The lease liability would increase by £47,326,000 (2022: £45,028,000) if all future lease extension options had been included within the Group's year-end lease liability.

Amounts recognised in Profit and Loss

The following amounts have been recognised in profit or loss:

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Interest on lease liabilities	(31,848)	(33,833)
Income from sub-leasing right-of-use assets	20,973	9,118
Expenses relating to short-term leases	(11)	(9)

Amounts recognised in the Statement of Cash Flows

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Repayment of lease liabilities	(15,722)	(17,740)
Interest paid on lease liabilities	(31,848)	(33,653)
Total cash outflow for leases	<u>(47,570)</u>	<u>(51,393)</u>

⁴ See note 30 for details on the prior period restatement.

Notes to the financial statements (continued)

12 – Leases (Group as lessee) (continued)

The Group leases property for its hotels. The leases of hotel space run for periods between 6 and 145 years. The nature of the lease agreements contain extension and renewal options. The options to renew the leases will be on the same basis of the original contract term. The leases stipulate that the properties are to be used as a hotel. There are no residual value guarantees on the leased properties.

The lease arrangements do not contain variable lease payments, however, are subject to rent review in line with market conditions and consumer price indices.

The Group leases various IT equipment and office machinery, with lease terms ranging between one and five years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

13 – Inventories

	Food Inventory	Beverage Inventory	Retail Inventory	Total
	£000's	£000's	£000's	£000's
Group				
<i>As at 30 June 2023</i>				
<i>Cost</i>				
At the beginning of the year	184	337	295	816
Purchases	8,094	2,420	189	10,703
Utilised during the year	(8,075)	(2,461)	(484)	(11,020)
At the end of the year	203	296	-	499
<i>As at 30 June 2022</i>				
<i>Cost</i>				
At the beginning of the year	91	193	281	565
Purchases	5,082	2,133	245	7,460
Utilised during the year	(4,989)	(1,989)	(231)	(7,209)
At the end of the year	184	337	295	816

All inventories held are expected to be utilised within 12 months.

14 – Trade and other receivables

	Group		Company	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	£'000	£'000	£'000	£'000
Current Assets				
Trade receivables	5,721	5,460	-	-
Provision for bad debt	(1,116)	(1,812)	-	-
Net trade receivables	4,605	3,648	-	-
Other receivables	5,650	2,947	147	371
Prepayments	531	5,059	-	-
Accrued income	1,406	9,491	-	-
	12,192	21,145	147	371

Other receivables include £3,510,000 of insurance claim proceeds, see note 18 for details (2022: Nil).

	Group		Company	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	£'000	£'000	£'000	£'000
Non-Current Assets				
Amounts owed by subsidiaries	-	-	1,709	4,554
Amounts owed by fellow subsidiaries	4,064	15,178	4,064	15,178
Amount owed by immediate parent company	53,112	53,101	53,112	53,101
	57,176	68,279	58,885	72,833

Notes to the financial statements (continued)

14 – Trade and other receivables (continued)

Amounts owed by fellow subsidiaries and immediate parent company have been categorised as non-current assets as there is no intention for the Group and Company to recover these balances within 12 months. Amounts owed by subsidiaries have been categorised by the Company as non-current assets for the same reason.

Accrued income includes accrued insurance income of Nil (2022: £8,070,000).

Prepayments mainly include prepaid rent of Nil (2022: £4,908,000).

Amounts owed by subsidiaries to the Company is net of a £55,303,000 provision (2022: £122,682,000).

See note 20 for details of the Group's expected credit loss assessment.

15 – Trade and other payables

	Group		Company	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	£'000	£'000	£'000	£'000
Non current liabilities				
Amount owed to parent company of the Clermont Group	124,503	119,409	124,503	119,409
	<u>124,503</u>	<u>119,409</u>	<u>124,503</u>	<u>119,409</u>
	Group		Company	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	£'000	£'000	£'000	£'000
Current liabilities				
Trade payables	8,047	6,694	-	-
Other taxation and social security	6,053	4,804	597	248
Other payables	27,497	20,813	3,419	3,051
Amounts owed to subsidiaries	-	-	67,175	58,808
Amounts owed to fellow subsidiaries	1,641	948	1,641	948
Accruals	-	223	-	-
	<u>43,238</u>	<u>33,482</u>	<u>72,832</u>	<u>63,055</u>

Amount owed to parent company of the Clermont Group relate to a fixed rate loan note repayable at par on 30 June 2024, and accrued interest on the loan note. Interest rate on the loan note is 4.2%, and the interest rate on unpaid interest is 6.2%. The loan note is listed on The International Stock Exchange ("TISE").

16 – Borrowings

	Group		Company	
	30 June 2023 (Current)	30 June 2022 (Non-current)	30 June 2023 (Current)	30 June 2022 (Non-current)
	£'000	£'000	£'000	£'000
Unsecured bank loan	147,947	192,669	147,947	192,669
	<u>147,947</u>	<u>192,669</u>	<u>147,947</u>	<u>192,669</u>

The unsecured £250m facility has a maturity date of September 2023 and is split across three facilities. The interest rate ranges from 1.12% plus Sonia plus 0.1193% spread to 1.65% plus Sonia plus 0.1193% spread. £148.0m of the facility was drawn-down as at 30 June 2023 (2022: £193.0m). During the current financial year, £50.0m of the loan was repaid (2022: £51.0m), and £5.0m was drawn-down (2022: £87.0m). £0.1m of loan fees (2022: £0.2m) were paid during the year.

The unsecured bank loan was refinanced after the end of the reporting period. See note 27 for details.

Notes to the financial statements (continued)

17 – Derivative Financial Instrument

	Group		Company	
Asset	Year ended 30 June 2023 (Current) £'000	Year ended 30 June 2022 (Non-current) £'000	Year ended 30 June 2023 (Current) £'000	Year ended 30 June 2022 (Non-current) £'000
Interest rate swaps	525	730	525	730
	<u>525</u>	<u>730</u>	<u>525</u>	<u>730</u>

For the purpose of hedging the change in interest rates in respect of the variable-rate bank loan, the Company has entered into hedges.

As a result of extension of loan maturity date from 16 December 2019 to September 2023, two forward interest rate swaps with total nominal value of £75m (2022: £75m) and matching tenors to repayment due dates of the last two tranches of the loan (i.e. tenors of 33 months and 45 months) were entered into by the Company. One of the swaps with nominal value £25m expired in September 2022 and in September 2023 one swap with a nominal value of £50m expired. These forward interest rate swaps require the Company to pay a fixed interest and receive a variable rate equal to LIBOR on the notional amount. The interest rate swaps are valued using valuation technique with market observable inputs. The valuation technique is swap model, using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve.

The Group's and the Company's exposure to credit, liquidity, interest rate and foreign currency risks and fair value information related to derivative financial instruments are disclosed in Note 20.

18 – Provisions

Group and Company

	Legacy lease £000's	Other provisions £000's	Property repairs £000's	Total £000's
As at 30 June 2023				
Balance as at the beginning of the year	7,388	-	-	7,388
Provisions written back during the year	(533)	-	-	(533)
Provisions made during the year	-	3,510	747	4,257
Balance as at the end of the year	<u>6,855</u>	<u>3,510</u>	<u>747</u>	<u>11,112</u>
As at 30 June 2022			Legacy lease £000's	Total £000's
Balance as at the beginning of the year			6,498	6,498
Provisions made during the year			890	890
Balance as at the end of the year			<u>7,388</u>	<u>7,388</u>
	Group		Company	
	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Current	4,906	671	649	671
Non-current	6,206	6,717	6,206	6,717
	<u>11,112</u>	<u>7,388</u>	<u>6,855</u>	<u>7,388</u>

Provision for legacy lease (Group and Company)

During the financial year ended 30 June 2020 the Company began receiving demands under guarantee obligations for two hotel leases which were previously assigned out of the Group. The claimant is the original lessee that assigned the leases to a former subsidiary of the Company ("Subsidiary A") in 1989, in return for which the Company provided a guarantee of Subsidiary A's obligations in favour of the claimant ("Guarantee").

Subsidiary A assigned the leases to third parties in 1998 (who in turn assigned them further in 2005) and was voluntarily dissolved in 2008. Under relevant laws in the UK for certain types of leases, a landlord may require a previous tenant to assume liability if the current tenant does not perform its obligations.

The most recent tenants of the Properties have dissolved, and the landlords have demanded that the claimant pay such rent and other amounts due under the leases. In turn, the claimant made a claim against the Company under the Guarantee for such rent and other amounts. The combined rents are about £450,000 per annum, subject to rent review at intervals, and the leases have remaining terms of approximately 43 years. Whilst the validity of the Guarantee has not been tested in court, as the Company may be required to meet rent and other amounts payable under the leases, the Company and Group has provided £6,855,000 (2022: £7,388,000) for all future rents on these leases.

During the financial year ended 30 June 2022 an agreement was signed by the Company with the claimant documenting the Company's intention (on a non-binding and without prejudice basis) to meet the future payments for the leases as they fall due. The Group will continue to explore its options to recover these amounts from subsequent tenants.

Provision for property repairs (Group only)

During the year a provision £747,000 (2022: Nil) was recognised at three hotels in the Group which are under exclusive use contracts. A provision has been held for expected repairs at the end of these agreements.

Notes to the financial statements (continued)

18 – Provisions (continued)

Other provisions (Group only)

During the year a provision was recognised for 10 claims against the Group and all are covered by the Group's insurance policy, and as such an equal and opposite receivable has been recognised under other receivables. See note 14. Provisions are based on best estimates from insurers as at the reporting date and the timing of future payments is unknown. Further information is not provided as it is considered prejudicial to the ongoing cases to disclose.

19 – Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities were as follows:

	30 June 2022 (restated)	Recognised in profit and loss	Recognised in other comprehensive income	30 June 2023
	£'000	£'000	£'000	£'000
Group				
Liability/(Assets)				
Employee Benefits	3,091	30	(1,450)	1,671
Property	7,818	182	-	8,000
Leases	(29,128)	986	-	(28,142)
Losses	(28,980)	3,589	-	(25,391)
Gains on CPO receipt	9,337	-	-	9,337
Interest Rate Swap	(1)	183	(51)	131
Provisions/unpaid Accruals	182	(204)	-	(22)
Loan relationships	(167)	167	-	-
Corporate interest restriction	(3,808)	(2,412)	-	(6,220)
	<u>(41,656)</u>	<u>2,521</u>	<u>(1,501)</u>	<u>(40,636)</u>
Company				
Liability/(Assets)				
Employee Benefits	3,091	30	(1,450)	1,671
Losses	(4,740)	4,214	-	(526)
Interest Rate Swap	(1)	183	(51)	131
Provisions/unpaid Accruals	182	(182)	-	-
Corporate interest restriction	(2,860)	(2,276)	-	(5,136)
	<u>(4,328)</u>	<u>1,969</u>	<u>(1,501)</u>	<u>(3,860)</u>

	30 June 2021 (restated) ⁵	Recognised in profit and loss	Recognised in other comprehensive income	Transfers from fellow subsidiaries	30 June 2022 (restated)
	£'000	£'000	£'000	£000's	£'000
Group					
Liability/(Assets)					
Employee Benefits	902	836	1,353	-	3,091
Property	13,510	(5,692)	-	-	7,818
Leases	(31,134)	2,527	-	(521)	(29,128)
Losses	(24,128)	(4,852)	-	-	(28,980)
Gain on CPO receipt	9,337	-	-	-	9,337
Interest Rate Swap	(394)	(183)	576	-	(1)
Provisions/unpaid Accruals	(91)	273	-	-	182
Loan relationships	(167)	-	-	-	(167)
Corporate interest restriction	-	(3,808)	-	-	(3,808)
	<u>(32,165)</u>	<u>(10,899)</u>	<u>1,929</u>	<u>(521)</u>	<u>(41,656)</u>
Company					
Liability/(Assets)					
Employee Benefits	902	836	1,353	-	3,091
Losses	(1,166)	(3,574)	-	-	(4,740)
Interest Rate Swap	(394)	(183)	576	-	(1)
Provisions/unpaid Accruals	(91)	273	-	-	182
Corporate interest restriction	-	(2,860)	-	-	(2,860)
	<u>(749)</u>	<u>(5,508)</u>	<u>1,929</u>	<u>-</u>	<u>(4,328)</u>

⁵ See note 30 for details on the prior period restatement.

Notes to the financial statements (continued)

19 – Deferred tax assets and liabilities (continued)

Deferred tax assets and liabilities are offset when there is a right to set off current tax assets and liabilities which relate to the same taxation jurisdiction. Deferred tax assets are recognised on the basis that they will be absorbed by forecast future taxable profits. It is the Group's policy to pay for any losses surrendered to fellow group companies. Directors estimate that the deferred tax asset from trading losses will be recovered in 6 years based on current forecasts.

On 7 April 2022 £521,000 of deferred tax was transferred from related party GLH RHG Limited to the Royal Horseguards Hotel (London) Limited as part of a restructuring exercise.

20 – Financial instruments

a) Financial risk management policies and objectives

Exposure to liquidity, credit, interest rate and currency risk arises in the normal course of the Group's business. The Group manages financial risk within its general risk management philosophy and framework.

Derivative financial instruments may be used to reduce the exposure of underlying assets and liabilities to fluctuations in interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

b) Liquidity risk

Liquidity is managed on a daily basis by the treasury and finance departments of the Group. They are responsible for ensuring that the Group has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Company manages liquidity risk, supported by intermediate parent company of the Group, Guoco Group Limited, ensuring sufficient liquid assets of appropriate quality are available to meet short term funding requirements.

The Group is financed by a combination of an unsecured bank loan with an external lender, unsecured RCF with an external lender and cash. The Group also has access to a committed, unsecured facility which is used as and when required to fund the Group's cash needs.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

As at 30 June 2023	Carrying amount	Total contractual undiscounted cashflow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	£000's	£000's	£000's	£000's	£000's	£000's
Group						
Non-derivative financial liabilities:						
Unsecure bank loans	147,947	150,061	150,061	-	-	-
Trade and other payables	35,544	35,544	35,544	-	-	-
Amount owed to parent company of the Clermont Group	124,503	130,037	130,037	-	-	-
Amounts owed to fellow subsidiaries	1,641	1,641	1,641	-	-	-
Lease liabilities	649,209	2,237,910	39,998	40,012	120,038	2,037,862
	<u>958,844</u>	<u>2,555,193</u>	<u>357,281</u>	<u>40,012</u>	<u>120,038</u>	<u>2,037,862</u>

Notes to the financial statements (continued)

20 – Financial instruments (continued)

b) Liquidity risk (continued)

As at 30 June 2022	Carrying amount (restated)	Total contractual undiscounted cashflow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	£000's	£000's	£000's	£000's	£000's	£000's
Group						
Non-derivative financial liabilities:						
Unsecured bank loans	192,669	198,305	4,244	194,061	-	-
Trade and other payables	27,507	27,507	27,507	-	-	-
Amounts owed to parent company of the Clermont Group	119,409	131,128	5,118	126,010	-	-
Amount owed to related parties	948	948	948	-	-	-
Lease liabilities	582,624	1,947,893	37,884	35,698	107,139	1,767,172
	<u>923,157</u>	<u>2,305,781</u>	<u>75,701</u>	<u>355,769</u>	<u>107,139</u>	<u>1,767,172</u>

c) Credit risk

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risks are primarily attributable to trade and other receivables and are considered low risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Management determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables ageing analysis and payment performance against credit terms.

Credit risk in relation to cash and cash equivalents and derivative financial instruments is considered to be low risk. Bank deposits are managed by the Group and are only deposited in counterparties who have high credit quality. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. The Group has limits for exposures to individual counterparty and country to manage concentration risk.

The hotel business has its own credit policy to allow credit period of up to 60 days for its customers. The Group has no significant concentrations of credit risks and does not obtain any collateral from customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position after deducting any impairment allowance.

Expected credit loss

The Group applied the simplified approach to measure expected credit loss, i.e., the lifetime expected loss allowance for its trade receivables. In measuring the expected credit losses, trade receivables are grouped based on similar credit risk characteristics and days past due. The Group uses an allowance matrix to measure the ECLs of trade receivables. The expected loss rates are calculated based on historical credit losses, which are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

On that basis, the loss allowances based on the ageing of trade receivables at the reporting date are as follows:

	Gross 30 June 2023 £000's	Allowances for impairment loss 30 June 2023 £000's	Gross 30 June 2022 £000's	Allowances for impairment loss 30 June 2022 £000's
Not past due nor impaired	2,828	-	2,618	-
Less than 1 month past due	1,628	-	837	(98)
1 to 3 months past due	457	-	414	(79)
Greater than 3 months past due	808	(1,116)	1,591	(1,635)
	<u>5,721</u>	<u>(1,116)</u>	<u>5,460</u>	<u>(1,812)</u>

Based on historical default rates and adjusted forward-looking macroeconomic data, the Group believes that, apart from the above, no other impairment allowance is necessary. These receivables are mainly relating to customers that have a good record with the Group. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Notes to the financial statements (continued)

20 – Financial instruments (continued)

c) Credit risk (continued)

The movement in allowances for impairment in respect of trade receivables during the year was as follows:

<i>Lifetime ECL</i>	£000's
At 1 July 2021	1,978
Reversal of impairment loss recognised during the year	(166)
At 30 June 2022	1,812
Reversal of impairment loss recognised during the year	(696)
At 30 June 2023	1,116

d) Interest rate risk

The Group's interest rate risk arises from treasury activities and borrowings. Interest rate risk is managed by the treasury department within approved limits. The Group also uses interest rate swaps to manage its interest rate exposure as appropriate.

As a result of extension of loan maturity date from 16 December 2019 to September 2023, two forward interest rate swaps with total nominal value of £75m (2022: £75m) and matching tenors to repayment due dates of the last two tranches of the loan (i.e. tenors of 33 months and 45 months) were entered into by the Company. One of the swaps with nominal value £25m expired in September 2022. These forward interest rate swaps require the Company to pay a fixed interest and receive a variable rate equal to LIBOR on the notional amount. The interest rate swaps are valued using valuation technique with market observable inputs. The valuation technique is swap model, using present value calculations, which incorporate various inputs including the credit quality of counterparty, interest rate and forward rate curve.

There is no sensitivity to changes in floating interest rates as movements in the floating rate of the unsecured bank loan will offset with the amount received on the interest rate swap.

e) Currency risk

The Group's net monetary assets and liabilities are denominated in sterling and therefore are not subject to currency risk.

f) Capital management

The Group defines the capital that it manages as the Group's total equity and net debt balances of £450.5m (2022: £440.4m restated) and £118.7m (2022: £171.7m).

The Group's objectives are to safeguard its ability to continue as a going concern providing returns to shareholders, through the optimisation of the debt and equity balances, and to maintain a strong credit rating and headroom. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group. The directors are satisfied that the Group is meeting its objectives for managing capital on the basis of year-on-year revenue growth, tight cost control and maintaining cashflow. There are no external restrictions on capital management for the Group.

g) Fair value of financial instruments

The table below analyses financial instruments into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the financial statements (continued)

20 – Financial instruments (continued)

g) Fair value of financial instruments (continued)

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the statement of financial position are as follows:

Fair value of financial instruments

Group - As at 30 June 2023	Carrying amount £000's	Fair value £000's	Level 1 £000's	Level 2 £000's	Level 3 £000's
Financial assets at amortised cost					
Cash and cash equivalents	29,215	29,215	-	-	-
Amounts owed by fellow subsidiaries (note 14)	4,064	4,064	-	-	-
Amount owed by immediate parent company (note 14)	53,112	53,112	-	-	-
Trade receivables (note 14)	4,605	4,605	-	-	-
Other receivables (note 14)	7,056	7,056	-	-	-
Financial assets held for hedging					
Interest Rate Swaps (note 17)	525	525	-	525	-
Total financial assets	98,577	98,577	-	525	-
Financial liabilities at amortised cost					
Borrowings (note 16)	(147,947)	(147,947)	-	-	-
Trade payables (note 15)	(8,047)	(8,047)	-	-	-
Amounts owed to fellow subsidiaries (note 15)	(1,641)	(1,641)	-	-	-
Amount owed to parent company of the Clermont Group (note 15)	(124,503)	(124,503)	-	-	-
Other payables (note 15)	(27,497)	(27,497)	-	-	-
Total financial liabilities	(309,635)	(309,635)	-	-	-
Total financial instruments	(211,058)	(211,058)	-	525	-
Group- As at 30 June 2022	Carrying amount £000's	Fair value £000's	Level 1 £000's	Level 2 £000's	Level 3 £000's
Financial assets at amortised cost					
Cash and cash equivalents	20,947	20,947	-	-	-
Amount owed by related parties (note 14)	15,178	15,178	-	-	-
Amount owed by immediate parent company (note 14)	53,101	53,101	-	-	-
Trade receivables (note 14)	3,648	3,648	-	-	-
Other receivables (note 14)	12,438	12,438	-	-	-
Financial assets held for hedging					
Interest Rate Swaps (note 17)	730	730	-	730	-
Total financial assets	106,042	106,042	-	730	-
Financial liabilities at amortised cost					
Borrowings (note 16)	(192,669)	(192,669)	-	-	-
Trade payables (note 15)	(6,694)	(6,694)	-	-	-
Amount owed to related parties (note 15)	(948)	(948)	-	-	-
Amount owed to parent company of the Clermont Group (note 15)	(119,409)	(119,409)	-	-	-
Other payables (note 15)	(20,813)	(20,813)	-	-	-
Total financial liabilities	(340,533)	(340,533)	-	-	-
Total financial instruments	(234,491)	(234,491)	-	730	-

Financial Instrument

Interest rate swap

Valuation Technique

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Notes to the financial statements (continued)

21 – Share Capital and share premium

	Number of shares	Number of shares	Nominal Value	Nominal Value
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	No.	No.	£'000	£'000
<i>Ordinary shares of 25.65 pence each</i>				
Issued and fully paid:				
At the beginning of the year	310,545,215	310,545,214	79,655	79,655
Issue of capital	-	1	-	-
At the end of the year	<u>310,545,215</u>	<u>310,545,215</u>	<u>79,655</u>	<u>79,655</u>

On 17 December 2021 the Company issued 1 ordinary shares of £0.2565 par value at a premium of £55,377,261, to parent company Clermont Hotel Holdings Limited. The liability arising from the issue of these shares was offset against intercompany balances. Following the issue the Company has 310,545,215 ordinary shares with a nominal value of £0.2565 each. The shares have attached to them full voting, dividend, and capital distribution rights. They do not confer any rights of redemption.

22 – Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

23 – Retained earnings

The retained earnings reserve comprises the cumulative net gains and losses recognised in the consolidated statement of comprehensive income. During the financial year the Company did not issue any dividend (2022: Nil).

The non-controlling interest balance of £1,983,000 (2022: £1,983,000) relates to the loss attributable to the other members of the Grand Imperial Restaurant LLP.

24 – Retirement benefit obligations

The Group operates two Schemes, both of which are closed to new members, which are of the funded defined benefit type and their assets are held in separate funds administered by Trustees.

These defined benefit pension schemes expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The amounts recognised in the statement of financial position have been determined by a qualified independent actuary by updating the latest full actuarial assessments of the schemes as at 1 May 2020 to 30 June 2023 and comprise:

Retirement Benefit Obligations

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
	£000's	£000's	£000's	£000's	£000's	£000's
Fair Value of Schemes' investment assets	77,120	95,426	110,881	114,429	100,563	98,044
Present value of unfunded obligations	(70,437)	(82,942)	(106,080)	(109,390)	(94,964)	(89,400)
Net Surplus in schemes	<u>6,683</u>	<u>12,484</u>	<u>4,801</u>	<u>5,039</u>	<u>5,599</u>	<u>8,644</u>

A portion of the above net assets is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. There is no maximum economic benefit available, and the Group has an unconditional right to the surplus.

Statement of Financial Position Reconciliation

	Year ended 30 June 2023	Year ended 30 June 2022
	£000's	£000's
Net asset at beginning of the year	12,484	4,801
Pension expense recognised in profit or loss in the financial year	(88)	(389)
Amounts recognised in OCI in the financial year	(8,124)	4,040
Employer contributions made in the financial year	2,411	4,032
Net asset at the end of the year	<u>6,683</u>	<u>12,484</u>

The below table provides the contributions for the year ended 30 June 2023 and 2022

	Year ended 30 June 2023	Year ended 30 June 2022
	£000's	£000's
Company contributions	2,411	4,032
Member contributions	2	2
Total	<u>2,413</u>	<u>4,034</u>

Neither scheme has any minimum funding requirements. The Group expects to pay £3,000,000 (2022: £2,800,000) in contributions to its defined benefit plans in the year ending 30 June 2024.

Notes to the financial statements (continued)

24 – Retirement benefit obligations (continued)

The Trustees are responsible for:

- Running the scheme (supported by advisors as required to fulfil their duties);
- Agreeing cash funding from the Company; and
- Setting a formal investment strategy for the scheme that balances risk and return.

The schemes are ring-fenced from the Company and administered under UK Trust Law.

Principal actuarial assumptions

	Year ended 30 June 2023 %	Year ended 30 June 2022 %
Financial assumptions		
Discount rate	5.25	3.65
Inflation assumption (RPI)	3.15	3.00
Inflation assumption (CPI)	2.55	2.45
Rate of increase in salaries	4.00	4.00
Rate of increase to pensions in payment (RPI maximum 5% pa)	2.95	2.90
Rate of increase to pensions in payment (CPI maximum 3% pa)	2.05	2.05
Rate of increase to pensions in payment (CPI maximum 2.5% pa)	1.85	1.85
Demographic assumptions		
Life expectancy at age 65 of male member aged 65 at year-end	21.1 years	21.6 years
Life expectancy at age 65 of male member aged 45 at year-end	22.3 years	22.9 years

In the current financial year, the Group increased the RPI and CPI gap to 0.6% (2022: 0.55%) to reflect current market conditions.

Changes in the fair value of the Schemes' assets

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Fair value of Schemes' assets at start of the financial year	95,426	110,881
Net interest on Scheme assets	3,449	2,149
Remeasurement loss on scheme assets	(19,724)	(16,269)
Contributions from the Company	2,411	4,032
Contributions from members	2	2
Administrative expenses	(575)	(502)
Benefits paid	(3,869)	(4,867)
Fair value of Schemes' assets at end of the financial year	77,120	95,426

Analysis of Scheme assets

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Equities / Diversified Growth Fund	25,929	38,722
Bonds	46,810	47,976
Cash	822	4,144
Insurance policy	3,559	4,584
Total market value of assets	77,120	95,426

All the Schemes' assets are quoted on active investments markets.

No amounts are included in the Schemes' assets in respect of the shares of the Company or its ultimate parent company.

Changes in the present value of the Schemes' unfunded obligations

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Present value of the Schemes' obligation at the start of the financial year	82,942	106,080
Current service cost	12	15
Interest cost	2,950	2,021
Actuarial gain arising from changes in financial assumptions	(14,366)	(21,224)
Actuarial gain arising from changes in demographic assumptions	(1,281)	(86)
Actuarial loss arising from experience	4,047	1,001
Contributions from members	2	2
Benefits paid	(3,869)	(4,867)
Present value of the Schemes' obligation at the end of the financial year	70,437	82,942

Notes to the financial statements (continued)

24 – Retirement benefit obligations (continued)

Sensitivity analysis

Changes in the following principal actuarial assumptions would have the following effect on the defined benefit surplus:

	30 June 2023 Increase/ (decrease) £000's	30 June 2022 Increase/ (decrease) £000's
Discount rate:		
1 percentage point increase	7,000	1,050
1 percentage point decrease	(8,400)	(1,050)
Rate of increase in salaries:		
1 percentage point increase	(100)	(100)
1 percentage point decrease	100	100
Inflation:		
1 percentage point increase	(2,700)	(453)
1 percentage point decrease	2,700	450
Life expectancy:		
One-year increase	(1,400)	3,310
One-year decrease	1,400	(3,338)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 1 May 2020 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Amounts recognised in the Statement of Profit and Loss and Other Comprehensive Income

	Year ended 30 June 2023 £000's	Year ended 30 June 2022 £000's
Included in operating costs:		
Current service cost	12	15
Administrative expenses	575	502
Included in finance income:		
Net interest receivable on the Scheme's surplus	(499)	(128)
Pension expense recognised in profit and loss	88	389
Included in other comprehensive income:		
Remeasurement loss on scheme assets	19,724	16,269
Actuarial gain arising from changes in financial assumptions	(14,366)	(21,224)
Actuarial gain arising from changes in demographic assumptions	(1,281)	(86)
Actuarial loss arising from experience	4,047	1,001
Total loss/(gain) recognised in other comprehensive income	8,124	(4,040)
Total loss/(gain) recognised in the Statement of Profit and Loss and Other Comprehensive Income	8,212	(3,651)

Defined contribution pension schemes

The Group operates defined contribution pension schemes for certain employees. Costs for the financial year amounted to £713,000 (2022: £530,000).

25 – Related party transactions

Management fees of £934,000 (2022: £178,000) are payable to GuoLine Group Management Co. Limited, a fellow subsidiary which is a member of the GuoLine Capital Assets Limited Group. The amount accrued but unpaid at the year-end amounted to £728,000 (2022: Nil).

Income of £590,000 (2022: £590,000) is receivable from Clermont Hotel Management Limited, a fellow subsidiary in respect for rent and services charges for office space.

In the prior year, on 7 April 2022 the trade and assets from fellow subsidiaries, GLH RHG Limited and GLH KG Limited were transferred to the Group as part of a restructuring exercise. The value of the net assets transferred was £35,325,000 and £3,608,000 respectively. The intercompany leases held with GLH RHG Limited and GLH KG Limited were also terminated on this date and the external property lease was novated from GLH RHG Limited to the Group.

In the prior year, on 7 April 2022 Quoted Eurobond loan notes debt with a value of £91,000,000 and £27,300,000, repayable at par on 30 June 2024 to the parent company of the Clermont Group, Clermont Group (Cayman) Limited, were transferred to the Group from fellow subsidiaries GLH RHG Limited and GLH KG Limited respectively. The interest rate on the loan notes was 4.2%. The loan notes were subsequently combined on the same day with the same interest and repayment terms. Interest expense of £5,116,000 (2022: £1,144,000) was recognised in the year in relation to this loan note.

Annual rent of Nil (2022: £7,412,000) was paid in the year to GLH RHG Limited and GLH KG Limited, both of which are controlled by Clermont Group (Cayman) Limited. At the balance sheet date, the Group has no right-of-use assets and lease liabilities in relation to these rental agreement as the leases were terminated in the prior year as part of the restructuring exercise.

Notes to the financial statements (continued)

25 – Related party transactions (continued)

In addition, the Group entered into transactions with a fellow subsidiary, Clermont Hotel Management Limited of £25,215,000 (2022: £11,742,000) in respect of management fees.

The net movements from these transactions are accumulated in the amounts owed to or from fellow subsidiaries, immediate parent company and the parent company of the Clermont Group shown in Notes 14 and 15.

	Receivable 30 June 2023 £000's	Receivable 30 June 2022 £000's
Amounts owed by parent company		
Clermont Hotel Holdings Limited – immediate parent	53,112	53,101
	<u>53,112</u>	<u>53,101</u>
Amounts owed by fellow subsidiaries		
GLH IP Holdings Limited	1,077	1,018
Clermont Hotel Management Limited	2,987	14,160
	<u>4,064</u>	<u>15,178</u>
Total amount owed by parent company and fellow subsidiaries	<u>57,176</u>	<u>68,279</u>
	Payable 30 June 2023 £000's	Payable 30 June 2022 £000's
Amounts owed to intermediate parent company		
Clermont Group (Cayman) Limited – intermediate parent company	(124,503)	(119,409)
	<u>(124,503)</u>	<u>(119,409)</u>
Amounts owed to fellow subsidiaries		
GLH KG Limited	(35)	(52)
GLH RHG Limited	(878)	(896)
GuoLine Group Management Co. Limited	(728)	-
	<u>(1,641)</u>	<u>(948)</u>
Total amount owed to intermediate parent company and fellow subsidiaries	<u>(126,144)</u>	<u>(120,357)</u>

Company

Management fees of £934,000 (2022: £175,000) are payable to GuoLine Group Management Co. Limited, a fellow subsidiary which is a member of the GuoLine Capital Assets Limited Group. The amount accrued but unpaid at the year-end amounted to £728,000 (2022: Nil).

Net Interest income of £4,191,000 (2022: £775,000) was payable from subsidiaries of the Company in respect of loan balances.

Dividend income of £58,773,000 (2022: Nil) was received from subsidiaries of the Company.

In the prior year, on 7 April 2022 Quoted Eurobond loan notes debt with a value of £91,000,000 and £27,300,000, repayable at par on 30 June 2024 to the parent company of the Clermont Group, Clermont Group (Cayman) Limited, were transferred to the Company from fellow subsidiaries GLH RHG Limited and GLH KG Limited respectively. The interest rate on the loan notes was 4.2%. The loan notes were subsequently combined on the same day with the same interest and repayment terms. Interest expense of £5,116,000 (2022: £1,144,000) was recognised in the year in relation to this loan note.

The Company operates a central treasury function to which subsidiaries transfer their cash receipts and which settles all the subsidiaries' trading liabilities. It is not practicable to quantify the gross amounts of these transactions. The net movements from these transactions are accumulated in the amounts owed to or from subsidiaries shown in Notes 14 and 15.

26 – Financial commitments

	30 June 2023 £'000	30 June 2022 £'000
Capital commitments		
Contracted for but not provided in the accounts	3,636	1,322

27 – Post Balance Sheet Event

On 29 September 2023 the Company completed the refinancing of the unsecured bank term loan and RCF, entering an agreement for total facilities of £200m. On refinancing £128m was drawn down on these facilities. The term of the new facility runs until September 2026, with an option for a further year. On the same day the term of the fixed rate loan note, listed on TISE, and due to the parent company of the Clermont Group was extended to 29 October 2027. Interest rate on the fixed rate loan note was increased to 6%.

Notes to the financial statements (continued)

28 – Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Whilst some outcomes have been affected by the volatility in the financial markets, all judgements and assumptions in the accounting policies remain consistent with previous years.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Estimates

The Group and Company is required to assess whether there is indication of impairment to the carrying value of property, plant and equipment, right-of-use assets and investment in subsidiaries which had a value of £776,180,000 (2022: £777,485,000), £505,843,000 (2022: £433,681,000) and £679,981,000 (2022: £668,792,000) respectively. In making that assessment, estimates are made in calculating a recoverable amount. The Group maintains a value in use model to ascertain that the carrying value of its tangible assets can be supported by the higher of the fair value less cost to sell or value in use as required under IFRS. The following assumptions are used in that model:

- **WACC Rate** – in the current year the Group used a pre-tax WACC rate methodology, with rates between 7.95%-13.78% (2022: 7.50%-10.52%) considered a reasonable rate for the Group. The Group calculates a post-tax WACC rate based on the debt – equity ratio, cost of equity and cost of debt with a Group specific Alpha and Beta, updated to reflect long term yield rates and risk. The Group then uses this post-tax WACC rate to calculate an implied pre-tax WACC rate specific to each subsidiary based on its discounted future cash flows. The impairment assessments have been performed for a period to the end of the lease terms. The value in use of the Group's properties is sensitive to movements in the WACC rate assumption. A 0.25% change in the WACC rate would move the value in use of the properties by £57.2m. An increase in the WACC rate of 0.25% would result in the Cumberland, Barbican and Royal Horseguards hotel showing signs of impairment.
- **Short term and long term growth rate** – The judgement applied in setting the short and long term growth rate is based on the forecast for the hotel. The Group exercises significant judgement to set the forecast, with the Group looking at specific hotel and Group level initiatives. Based on these factors the Group will determine the expected uplift in the hotels. Long term growth rate used is 2.0%. The value in use of the properties is sensitive to movements in the long term growth rate. A 0.5% change in the long term growth rate would move the value in use of the Group's properties by £85.4m. A reduction in the long term growth rate of 0.5% would result in the Cumberland, Barbican and Royal Horseguards hotel showing signs of impairment.
- **Replacement capital expenditure** – 4% of revenue has been deemed an appropriate rate for the Group. This is consistent with hotel operating agreements for hotels operated by the wider Group. The value in use of the properties is sensitive to movements in the replacement capital expenditure assumption. A 1% change in the replacement capital expenditure rate would move the value in use of the Group's property by £15.2m. An increase in the replacement capital expenditure rate of 1% would result in the Cumberland, Barbican and Royal Horseguards hotel showing signs of impairment.

Consideration of impairment to the carrying values of assets has been made and the directors concluded that the individual carrying values of operating assets were supportable by the value in use or fair value less costs to sell, with the exception of the Company's investments in subsidiaries. This resulted in an impairment of investments in subsidiaries of £80,393,000 (2022: £35,937,000) (note 11). In the prior year impairments were also recognised of property, plant, and equipment of £2,175,000 (note 10) and right-of-use assets of £5,110,000 (note 12). The impact of the current economic conditions on the assessment of going concern has been considered.

The below are other areas of estimation in the preparation of the financial statements:

- **Incremental borrowing rate ("IBR")** – a range of 4.88-5.53% was considered a reasonable rate range for the Group. The IBR was calculated based on a quoted margin from an external lender, LIBOR at transition date, and a term adjustment based on corporate bond yields for a tenor in line with the underlying lease, and risk profile similar to that of the Group.
- **Forecast cashflows** – Assumptions of future cashflows have been made as part of the going concern and impairment assessments. These include assumptions of recovery of revenue through and post the pandemic and expected margins achieved. Management use recent performance and external forecasts as the basis for these.
- **Deferred tax asset recoverability** – recognition of the deferred tax asset for trading losses has been supported by forecast profitability for the Clermont Group. These forecasts evidence the Clermont Group and the Group will be able to utilise these losses.
- **Property, plant and equipment** – Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment. Estimation is required in the selection of these residual values and useful lives.

Notes to the financial statements *(continued)*

28 – Accounting estimates and judgements *(continued)*

Judgement

- Leases - The Group assesses at lease commencement whether it is reasonably certain to exercise any extension options included within leases. The Group reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control. The assessment of whether future lease extension periods will be utilised requires the exercise of judgement.
- Debtor recoverability – as part of the Group's ECL assessment, judgement has been made on the expected recoverability of balances owed to the Group, which had a carrying value of £5,721,000 (2022: £5,460,000). The Group has made use of historic recovery rates, and economic data available on specific debtors in order to determine lifetime expected credit losses.

29 – Parent and ultimate parent undertakings and controlling parties

The immediate parent undertaking is Clermont Hotel Holding Limited, a company registered in England, which underwent a name change from GLH Hotels Holdings Limited on 1 November 2022. Copies of the financial statements of Clermont Hotel Holdings Limited are available from Companies House, Cardiff.

Clermont Hotel Holding Limited is a wholly owned subsidiary of GL Limited, a company registered in Bermuda. The registered office address is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. GL Limited is both controlled and its financial results consolidated by Guoco Group Limited, a company continued in Bermuda and listed on the Stock Exchange of Hong Kong Limited. Copies of the consolidated financial statements of Guoco Group Limited are available from its website www.guoco.com.

The directors of the Company consider its ultimate holding company to be GuoLine Capital Assets Limited, a company incorporated in Jersey which does not produce financial statements available for public use.

30 – Prior period adjustment

During the current financial year it was identified that the lease liabilities included quarterly rent payments of £2,580,000 that had been made prior to 1 July 2019, and therefore should have been excluded from the lease liability on transition to IFRS 16. This has a follow on impact on the deferred tax asset for leases at 1 July 2019 which was overstated by £490,000.

As the modified retrospective method had been used on transition to IFRS 16 there is no impact to the right-of-use asset.

As the rent payments are made in advance this first payment had not been discounted. There is therefore no impact to the charges to the statement of profit and loss since 1 July 2019.

As a result of the above, the 2022 comparatives have been adjusted to reduce the lease liabilities by £2,580,000 and the deferred tax asset for leases by £490,000. The net impact of £2,090,000 has increased reserves in the 2022 comparatives compared the amounts previously reported.