Company Registration No. 6809588

De Vere Grand Connaught Rooms Limited

Annual Report and Financial Statements

31 December 2021

De Vere Grand Connaught Rooms Limited

Annual report and financial statements 2021

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De Vere Grand Connaught Rooms Limited

Report and financial statements 2021

Officers and professional advisers

Directors

J A Burrell
A A Corlett
L K Nicol Donaldson

Registered office

The Inspire
Hornbeam Square West
Harrogate
North Yorkshire
HG2 8PA

Bankers

Barclays Bank plc

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

De Vere Grand Connaught Rooms Limited

Strategic Report

Principal Activities of the Company

The principal activity of the Company is the operation of the De Vere Grand Connaught Rooms conference centre in London. The Company is a member of the UK Group of Companies headed by Principal Hotels Topco 1 Limited ("the Group").

Company Business Review

2021 Business Review

During the year ended 31 December 2021 the Company's revenues and operating profitability increased as a result of the lifting of restrictive measures which has been imposed due to the COVID-19 pandemic. The directors have taken all possible actions to minimise both the impact of the pandemic on the Company's results and on its employees. The Government's Job Retention Scheme provided grant income £152,000 (2020: £1,267,000) (accounts note 4) to support the wages of employees. Other Government initiatives provided benefits to the Company's trading including (i) the reduction to £nil from April 2021 to June 2021 in the Company's business rates costs and a further 66% reduction in the business rates costs to the end of the year ; (ii) taking local restriction support grants (accounts note 4) ; and (iii) the impact of the reduction in VAT on certain revenues.

The Group's key measurement of effectiveness of its operations is operating profit before depreciation and amortisation and exceptional or non-recurring items ("EBITDA"). The Company achieved an EBITDA profit of £501,000 (2020: loss of £568,000). The Company's total loss before tax was £2,030,000 (2020: loss of £3,551,000.

The Company's earnings for the year have been retained and, together with the effects of capital expenditure and movements on working capital balances, this has led to an increase in year end cash balances from £21,000 to £408,000.

2022 update and outlook

The Company and Group's operations have improved as restrictions imposed as a result of the COVID-19 pandemic are lifted.

Full details of the Group's ongoing trading prospects, including consideration of the continued impact of the COVID-19 pandemic, are given in the Group Chief Executive's Report of the UK parent company Principal Hotels Topco 1 Limited.

Financial risk management objectives and policies

Financial risk management objectives and policies are managed on a unified basis for the Group.

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk, liquidity risk and price risk. The use of financial derivatives to manage risks is subject to Board approval and no financial derivatives are used for speculative purposes.

Cash flow risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. These risks are small in the context of the Company's operations and therefore it does not use financial instruments to manage its exposure to them due to cost benefit considerations.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Strategic Report

The credit risk on liquid funds is limited because the counterparty is Barclays Bank plc, a UK bank with a good credit rating.

The Company has no significant concentration of credit risk other than receivable balances with members of the Group. The exposure on other receivable balances is spread over a large number of counterparties and customers.

Liquidity Risk

The Group uses a mixture of shareholder debt and long term bank debt in order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future development. At the date of signing these financial statements the Group's bank debt was, subject to compliance with normal banking conditions and covenants, not due for repayment or renewal until December 2025 at the earliest.

Price Risk

The Company is exposed to commodity price risk, particularly in relation to energy costs. The Company manages its exposure to energy costs price risks by using fixed rate contracts, where appropriate, to ensure certainty of costs.

Going Concern basis of accounts preparation

The Company's ultimate UK parent Principal Hotels Topco 1 Limited has committed to provide support for at least the next 12 months as long as the Company remains part of the Group.

The directors have considered the future trading prospects of the Group, including its detailed trading and cash flow projections, which they feel adequately reflect the current economic environment. Despite the inflationary and consumer challenges in the UK economy, the directors are cautiously optimistic about the Group's trading performance, which in 2022 has seen revenue improve significantly compared to 2021 and is trending back to pre-COVID revenue levels.

The projections show that for a period of not less than 12 months from the date of approval of these financial statements the Group will have sufficient operational facilities in place, including after considering certain downside sensitivities. In formulating this assessment, the directors have taken into consideration inflationary cost pressures, the Group's improved cash position and that the Group's bank loans are not due until December 2025 at the earliest. The directors continue to be confident on the long term prospects of the Group.

Accordingly, the directors continue to be satisfied that the Company and the Group will continue in operational existence for the foreseeable future and for at least the next 12 months and that adopting the going concern basis in preparing the annual report and financial statements for the Company, as a member of the Group, is appropriate.

Approved by the Board of Directors
and signed on behalf of the Board

J A Burrell
Director
29 June 2022

De Vere Grand Connaught Rooms Limited

Directors' report

The directors present their annual report and the audited financial statements for year ended 31 December 2021.

Going Concern, Future Developments and Financial risk management objectives and policies

The directors set out in the Strategic Report

- the reasoning for the adoption of the going concern basis in preparing the annual report and financial statements for the Company
- an indication of any future developments for the Company; and
- the financial risk management objectives and policies of the Company.

Dividends

No dividends were paid during the financial year (2020: £nil). The directors do not propose to pay a final dividend (2020: £nil).

Political contributions

There were no donations made to political parties (2020: £nil).

Directors

The directors who held office during the year and subsequent to the balance sheet date were:

A G Troy	(resigned 31 December 2021)
J A Burrell	
A A Corlett	(appointed 31 December 2021)
L K Nicol Donaldson	(appointed 31 December 2021)

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of relevant information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

J A Burrell
Director
29 June 2022

De Vere Grand Connaught Rooms Limited

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of De Vere Grand Connaught Rooms Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of De Vere Grand Connaught Rooms Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 auditor's responsibilities for the audit of the financial statements 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 UK, including the Financial Reporting Council's (the "FRC'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 company's ability to continue as a going concern for a period of at least twelve 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.

Independent auditor's report to the members of De Vere Grand Connaught Rooms Limited *(continued)*

Other information

The other information comprises the information included in the strategic report and director's report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the strategic report and director's report. Our opinion on the financial statements 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety and data protection laws.

We discussed among the audit and tax engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address it are described below:

- Classification of balances within exceptional costs may be inappropriate. We have selected a sample of exceptional items, which we agreed to supporting evidence and assessed whether they have been correctly classified as exceptional. Further we have reviewed the internal controls over the classification of exceptional items and determined if the controls have been implemented correctly.

- Expenditure may have been inappropriately capitalised in the year that should instead have been recorded through the profit and loss. We have selected a sample of fixed asset additions and agreed to supporting evidence and assessed whether they have been capitalised in line with IAS 16. Further we have reviewed the internal controls over the capitalisation of expenditure and determined if the controls have been implemented correctly.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of De Vere Grand Connaught Rooms Limited *(continued)*

Report on other legal and regulatory requirements

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 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 strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

Tim Steel

Timothy Steel ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

29 June 2022

De Vere Grand Connaught Rooms Limited

Profit and Loss Account
Year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	3	**3,870**	2,931
Cost of sales		**(1,741)**	(2,787)
Gross profit		**2,129**	144
Other operating income	4	**190**	1,267
Administrative expenses		**(3,474)**	(4,106)
Operating profit / (loss) before depreciation and exceptional or non-recurring items ("EBITDA")		**501**	(568)
Depreciation		**(1,583)**	(1,618)
Exceptional or non-recurring items	6	**(73)**	(509)
Operating profit / (loss)		**(1,155)**	(2,695)
Operating profit / (loss)		**(1,155)**	(2,695)
Interest payable	7	**(875)**	(856)
Profit / (loss) before tax	8	**(2,030)**	(3,551)
Tax	9	**595**	95
Profit / (loss) for the financial year		**(1,435)**	(3,456)

All amounts relate to continuing activities.

Statement of Other Comprehensive Income
Year ended 31 December 2021

For the years ended 31 December 2021 and 31 December 2020 the Company had no transactions that would fall to be disclosed in a Statement of Other Comprehensive Income other than the net profit or loss for the financial year reported in the Profit and Loss Account above.

De Vere Grand Connaught Rooms Limited

Balance sheet
31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	10	**2,776**	3,560
Right-of-use assets	11	**24,383**	23,285
Total fixed assets		**27,159**	26,845
Current assets			
Stocks		**52**	-
Debtors	12	**2,320**	3,160
Cash at bank and in hand		**408**	21
Total current assets		**2,780**	3,181
Creditors: amounts falling due within one year	13	**(1,828)**	(1,410)
Net current assets		**952**	1,771
Total assets less current liabilities		**28,111**	28,616
Creditors: amounts falling due after more than one year	14	**(16,285)**	(14,760)
Provisions for liabilities	16	**(371)**	(966)
Net assets		**11,455**	12,890
Capital and reserves			
Called up share capital	17	**-**	-
Profit and loss account		**11,455**	12,890
Equity shareholders' funds		**11,455**	12,890

The financial statements of De Vere Grand Connaught Rooms Limited, company number 6809588, have been approved and authorised for issue by the Board of Directors.

Signed on behalf of the Board of Directors

J A Burrell, Director

29 June 2022

De Vere Grand Connaught Rooms Limited

Statement of changes in equity
31 December 2021

	Called up share capital (note 17) £'000	Profit and loss account £'000	**Total £'000**
At 1 January 2020	-	16,346	**16,346**
Profit / (loss) for the financial year	-	(3,456)	**(3,456)**
At 31 December 2020	-	12,890	**12,890**
Profit / (loss) for the financial year	-	(1,435)	**(1,435)**
At 31 December 2021	-	11,455	**11,455**

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

De Vere Grand Connaught Rooms Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards and law.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of Principal Hotels Topco 1 Limited.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Principal Hotels Topco 1 Limited, which are available to the public and can be obtained as set out in note 20.

Going Concern

The financial statements have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the Strategic Report.

1. ACCOUNTING POLICIES (*continued*)

Adoption of new and revised standards

There were no new or revised standards adopted in the current financial year which had an effect on the current financial year, required a restatement of the prior financial year or which might have an effect on future financial periods.

Impairment of tangible assets

The carrying value of each of the Company's cash generating units is compared to its recoverable amount. If the carrying value of a unit is less than its recoverable amount an impairment loss is recognised in profit or loss. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to that unit and then to the other assets of the unit on a pro-rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight line basis over its expected useful life as follows:

Plant and equipment	3 to 10 years as appropriate to the asset
Working replacements	3 years

Right-of-use assets

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

Stocks

Stocks comprise food and beverages for resale and are stated at the lower of cost and net realisable value. Provisions are made for obsolete or slow-moving items where appropriate.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

1. ACCOUNTING POLICIES *(continued)*

Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Revenue Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of goods or a service to a customer.

Revenue of the Company comprises the following streams:

Sale of goods

Revenue from the sale of food and beverages is recognised at the point of sale.

Rendering of services

Revenue from room sales and other guest services is recognised when rooms are occupied and as services are provided.

Government Grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

1. ACCOUNTING POLICIES (*continued*)

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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. For these leases, the Company 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 lessee 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 balance sheet.

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 Company 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 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.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

1. ACCOUNTING POLICIES *(continued)*

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company 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 balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described above.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient in respect of service charges associated with property leases.

Pension costs

The Company operates a defined contribution pension scheme for qualifying employees. The amounts charged to the profit and loss account are the contributions payable for the period. Differences between contributions payable and contributions paid are included as either accruals or prepayments in the balance sheet.

Non GAAP performance measure

To monitor the financial performance of the Company, the directors exclude certain items from the operating profit from continuing operations measure. This measure is called EBITDA and comprises operating profit from continuing operations before depreciation and amortisation and exceptional or non-recurring items. The face of the income statement presents EBITDA and reconciles this to operating profit as required to be presented under the applicable accounting standards.

Exceptional or non-recurring items include restructuring and redundancy costs, profits or losses on the disposal of hotels and venues and property, plant and equipment, impairment provisions and costs arising from major refurbishments.

The term EBITDA is not defined under FRS 101 and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit.

1. ACCOUNTING POLICIES (*continued*)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date basis. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has none of the later type of financial assets and therefore all financial assets are measured subsequently at amortised cost.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. The Company always recognises lifetime ECL for trade receivables using a provision based on the Company's historical credit loss experience.

In assessing whether there has been any impairment of amounts owed by Group companies the Directors take account of the support provided by the UK parent company, Principal Hotels Topco 1 Limited, which has undertaken to ensure that such amounts will be recoverable in full.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

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

1. ACCOUNTING POLICIES *(continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

(iii) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

1. ACCOUNTING POLICIES *(continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

The Company has no financial liabilities that are (i) held-for-trading, or (ii) designated as at FVTPL and therefore all financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

The key assumptions concerning the future, and other key sources of uncertainty at the balance sheet date, that have a potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Implementation of IFRS 16

In applying IFRS 16 for the first time at 1 January 2019 the key estimate made by the directors was in relation to the incremental borrowing rate ("IBR") used to discount the remaining lease payments in order to calculate the lease liability.

IFRS 16 requires the directors to use the IBR which the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The directors used an IBR of 6.0% based on factors including the weighted average cost debt in place at 1 January 2019, the remaining life of the relevant leases and the nature of the leased assets.

The carrying value at the balance sheet date of right-of-use assets is set out in note 11.

Corporation tax and deferred tax

The calculation of the Company's tax charge necessarily involves a degree of estimation and judgement in respect of certain items. In calculating the Company's tax charge, there are inherent assumptions made around assets which qualify for capital allowances as well as the level of expenses which are disallowable for corporation tax purposes.

Further judgement is required in relation to any deferred tax assets which may arise as the recoverability of these assets is reliant on future taxable profits. Deferred tax liabilities are calculated based on the Company's expectations regarding the manner and timing of the recovery of the related assets.

No provision for corporation tax has been made at the balance sheet date. The amounts both provided and not provided in respect of deferred tax at the balance sheet date are set out in note 16.

3. TURNOVER

An analysis of the Company's turnover, all of which arose in the UK and relates to continuing operations and a single business segment, is as follows:

	2021 £'000	2020 £'000
Sales of goods	**1,651**	888
Rendering of services	**2,219**	2,043
Total turnover	**3,870**	2,931

4. OTHER OPERATING INCOME

	2021 £'000	2020 £'000
Government grants – job retention scheme	**152**	1,267
Government grants – local restriction support grants	**38**	-
Total other operating income	**190**	1,267

5. STAFF COSTS

The average monthly number of employees during the year was:

	2021	2020
Administration	**11**	35
Sales	**1**	1
Operational	**46**	90
Total employees	**58**	126

Their aggregate remuneration comprised:

	£'000	£'000
Wages and salaries	**1,323**	2,513
Social security costs	**129**	227
Pension costs	**32**	58
Total remuneration	**1,484**	2,798

The directors received no remuneration in respect of services to the Company during the year (2020: £nil). The directors are employed by Principal Hayley Limited, a fellow Group company, and it is not practicable to allocate a proportion of their costs to the Company.

De Vere Grand Connaught Rooms Limited

Notes to the financial statements
Year ended 31 December 2021

6. EXCEPTIONAL OR NON-RECURRING ITEMS

	2021 £'000	2020 £'000
Redundancy costs and other staff costs	**71**	245
Costs arising from refurbishments	**2**	264
Total exceptional or non-recurring items	**73**	509

7. INTEREST PAYABLE

	2021 £'000	2020 £'000
Lease interest (note 15)	**875**	856
Total interest payable	**875**	856

8. PROFIT / (LOSS) BEFORE TAX

Profit /(loss) before tax is stated after charging / (crediting):

	2021 £'000	2020 £'000
Depreciation – tangible assets	**1,045**	1,079
Depreciation – right-of-use assets	**538**	539
Cost of inventories recognised as an expense	**232**	301
Auditor's remuneration - audit of the Company's financial statements	**1**	8
Fees payable to the Company's auditors for other services	**-**	-
Government grants – job retention scheme (note 4)	**(152)**	(1,267)
Government grants – local restriction support grants (note 4)	**(38)**	-
Exceptional or non-recurring items (note 6)	73	509

9. TAX

	2021 £'000	2020 £'000
The tax charge for the year comprises:		
Current tax		
UK corporation tax on the profit / (loss) for the year	-	-
Total current tax charge / (credit)	-	-
Deferred tax		
Total deferred tax charge / (credit)	**(595)**	(95)
Total tax charge / (credit) for the year	**(595)**	(95)

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2021 £'000	2020 £'000
Profit / (loss) before tax	**(2,030)**	(3,551)
Tax at standard UK rate of 19.0% (2020: 19.0%)	**(386)**	(675)
Effects of:		
Expenses not deductible for tax purposes	**65**	5
Other amounts deductible for tax purposes	**(43)**	(52)
Group relief surrendered for nil consideration	**208**	528
Change in tax rates	**89**	122
Adjustments to the tax charge in respect of prior periods	**(528)**	(23)
Total tax charge / (credit) for the year	**(595)**	(95)

Under Finance Act 2021 enacted on 10 June 2021, the Corporation Tax rate for the 12 months from 1 January 2021 remains at 19% but will increase to 25% as the planned main rate of corporation tax from 1 April 2023. The deferred tax balances are calculated using the rates at which each temporary difference is expected to reverse.

10. TANGIBLE FIXED ASSETS

	Plant and equipment £'000
Cost	
At 1 January 2021	7,888
Additions	261
Disposals	(301)
At 31 December 2021	7,848
Accumulated depreciation	
At 1 January 2021	4,328
Charge for the year	1,045
Disposals	(301)
At 31 December 2021	5,072
Net book value	
At 31 December 2021	**2,776**
At 31 December 2020	3,560

The Company's fixed assets are charged in favour of the Group's lending bankers as security for its borrowings.

11. RIGHT-OF-USE ASSETS

	Leasehold land and buildings £'000
Cost	
At 1 January 2021	26,186
Additions	1,636
Disposals	-
At 31 December 2021	27,822
Accumulated depreciation	
At 1 January 2021	2,901
Charge for the year	538
Disposals	-
At 31 December 2021	3,439
Net book value	
At 31 December 2021	**24,383**
At 31 December 2020	23,285

The Company's interests in right-of-use assets are charged in favour of the Group's bankers as security for its borrowings.

12. DEBTORS

	2021 £'000	2020 £'000
Trade debtors	**482**	24
Amounts owed by subsidiaries of the ultimate parent company	**1,631**	3,001
Other debtors	**-**	2
Prepayments and accrued income	**207**	133
Total debtors	**2,320**	3,160

Amounts owed by subsidiaries of the ultimate parent company are repayable on demand and are interest free.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£'000	£'000
Trade creditors	**255**	17
Accruals and deferred income	**1,275**	1,087
Other creditors	**87**	167
Tax and social security	**76**	47
Lease liabilities (note 15)	**135**	92
Total creditors falling due within one year	**1,828**	1,410

Amounts due to Group undertakings are payable on demand and are interest free.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£'000	£'000
Lease liabilities (note 15)	**16,285**	14,760
Total creditors falling due after more than one year	**16,285**	14,760

15. LEASE LIABILITIES

Right of use assets

Movements in right of use assets are set out in note 11.

Lease liabilities	**2021**	2020
	£'000	£'000
Amounts due for settlement within 12 months (note 13)	**135**	92
Amounts due for settlement in more than 12 months (note 14)	**16,285**	14,760
	16,420	14,852

Maturity analysis		
Within one year	**135**	92
In the second to fifth year inclusive	**502**	427
After five years	**15,783**	14,333
	16,420	14,852

The Company remeasured the lease liability in the year due to an increase in expected future repayments of the lease liability. The lease liability has increased by £1,636,000 as a result of this remeasurement and the right of use asset has increased by £1,636,000 (note 11).

The total cash outflow for leases in 2021 was £944,000 (2020: £944,000)

Amounts recognised in the profit and loss account	**2021**	2020
	£'000	£'000
Depreciation expense on right of use assets	**538**	539
Interest expense on lease liabilities	**875**	856

16. DEFERRED TAX

Deferred tax is provided as follows:

	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
(Asset) / liability at 1 January 2020	1,061	-	**1,061**
Charged / (credited) to the profit and loss account	(95)	-	**(95)**
(Asset) / liability at 31 December 2020	966	-	**966**
Charged / (credited) to the profit and loss account	100	(695)	**(595)**
(Asset) / liability at 31 December 2021	1,066	(695)	**371**

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £'000	2020 £'000
Deferred tax liabilities	**1,066**	966
Deferred tax assets	**(695)**	-
Total deferred tax	**371**	966

The Company has no unprovided deferred tax assets (2020: £nil).

The deferred tax balances in these financial statements are calculated using tax rates substantively enacted at the balance sheet date.

17. CALLED UP SHARE CAPITAL

	2021 £	2020 £
Allotted, called up and fully paid:		
1 Ordinary share of £1	**1**	1
Total share capital	**1**	1

18. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 101 not to disclose transactions with other Group companies.

19. CONTINGENT LIABILITIES

The Company, together with certain other fellow Group companies, has given guarantees to a maximum of £208.5 million (2020 - £222.8 million) over the UK borrowings of Principal Hotels Topco 3 Limited a fellow Group company. At 31 December 2021 the borrowings outstanding covered by this guarantee totalled £208.5 million (2020 - £222.8 million).

20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

In the opinion of the directors, the Company's ultimate parent company is SOF-9 Rome Holdings Lux Sarl, a company incorporated in Luxembourg. The ultimate parent company is owned by private equity funds and is managed on their behalf by Starwood Capital Group LLC, a company registered in the United States of America. The parent undertaking of the largest group which includes the Company and for which group financial statements are prepared is Principal Hotels Topco 1 Limited, a company incorporated in Great Britain which has the same Registered Office as the Company. The parent undertaking of the smallest such group is Principal Hotels Topco 3 Limited, a company incorporated in Great Britain which has the same Registered Office as the Company. Copies of the group financial statements of Principal Hotels Topco 1 Limited and Principal Hotels Topco 3 Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The Company's immediate controlling party is Principal Hayley Group Limited, which has the same Registered Office as the Company.