

The Ritz Hotel (London) Limited
(registered number: 00064203)

Report of the directors and consolidated financial statements
for the year ended 31 December 2017

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The Ritz Hotel (London) Limited

Strategic report for the year ended 31 December 2017 (registered number: 00064203)

Review of business and future developments

The level of business and financial position of the company is in line with expectations. It is the company's intention to continue to increase its revenues by expanding its existing client base.

Hotel management will continue to monitor trends and business fundamentals to ensure that the hotel strategy optimises performance and results.

The fixed assets of the hotel are carried in the financial statements at 31 December 2017, after accumulated depreciation, at £151.6 million. The directors continue to consider that taking into account the freehold tenure, the location, constant superior maintenance of the property, the value of the casino lease and the unique Ritz brand name, the overall value of the group's interest is in excess of £800 million. The business is not and has not been marketed for sale and this is solely the directors' view of their valuations.

Key performance indicators

The company's directors use a number of key performance indicators (KPI's) to assess the position of the business, in particular the following:

	2017	2016
Gross profit margin	53.8%	54.3%
Operating profit margin	31.5%	32.8%
Net current assets	£73.8m	£65.6m

In addition to the financial KPIs, the directors measure a range of non-financial KPIs such as:

Room occupancy, average daily rates and revenue per available room
Food & beverage covers and average spend
Employee satisfaction and turnover
Leading Quality Assurance scores

A proforma consolidated, unaudited, statement of net assets incorporating this directors' valuation is summarised below:

	2017 £m
Fixed assets	800.0
Current assets (excluding fellow subsidiary loans)	6.4
	<hr/> 806.4
Bank loan	(149.8)
Other liabilities (excluding group company loans)	(9.4)
	<hr/> (159.2)
Proforma net assets	<hr/> 647.2

The Ritz Hotel (London) Limited

Strategic report for the year ended 31 December 2017 (continued) (registered number: 00064203)

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events may compound the possible effects on the company.

The key business risks affecting the company are set out below:

Economic and financial risk

The company's business is exposed to the risk of negative developments in the global and regional economies and financial markets, through the impact of the banks, suppliers, customers or labour market. These developments can result in recession, inflation, deflation, currency fluctuations and restrictions in the availability of credit, business failures or increases in finance costs. Such developments may increase operating costs and reduce profitability.

Commercial and market risk

Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks.

The company operates within the luxury hotel industry and failure to compete effectively in terms of quality of product and levels of service can have an adverse effect on earnings.

By order of the Board



M Seal
Director

28th March 2018

The Ritz Hotel (London) Limited

Report of the directors for the year ended 31 December 2017 (continued) (registered number: 00064203)

The directors present their report and the audited consolidated financial statements of the company and its subsidiary (the group) for the year ended 31 December 2017.

Principal activities

The company's principal activity is the ownership and operation of The Ritz Hotel in London. The company leases the casino and the jewellery shop to fellow subsidiary companies.

Results and dividend

The directors are pleased to report that the company increased revenue to the highest level in its history from £43.0 million to £46.1 million whilst maintaining operating profit of £14.5 million (2016: £14.1 million). No dividends were declared (2016: nil).

Directors

The directors of the company during the year ended 31 December 2017 were:

A.S. Barclay

H.M. Barclay

C. Fahy

A.M. Love

R.K. Mowatt Resigned 22 January 2018

P.L. Peters

M. Seal

Employee involvement

The group has continued to maintain its commitment to employee involvement throughout the business.

Employees are kept well informed of the performance and objectives of the group through personal briefings, regular meetings and e-mail.

Equal opportunities

The group is committed to an active equal opportunities policy from recruitment and selection, through training and development, appraisal and promotion to retirement.

It is the group's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

The group is responsive to the needs of its employees, customers and the community at large and is an organisation that endeavours to use everyone's talents and abilities to the full.

The Ritz Hotel (London) Limited

Report of the directors for the year ended 31 December 2017 (continued) (registered number: 00064203)

Creditor payment policy

For all trade creditors, it is the group's policy to:

- agree the terms of payment at the start of business with the supplier;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Report of the directors and consolidated financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each director in office at the date the Report of the directors is approved

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Ritz Hotel (London) Limited

Report of the directors for the year ended 31 December 2017 (continued) (registered number: 00064203)

Financial risk management

The group's activities expose it to a variety of financial risks, including price risk, credit risk, liquidity risk and interest rate cash flow risk. The company's overall financial risk management objective is to minimise its potential adverse effects on the financial performance of the company.

(a) Price risk

The company has some exposure to food commodity price risk given the nature of its business, but has no exposure to equity securities price risk as it holds no listed equity investments.

(b) Credit risk

Credit risk can arise from granting credit to customers and by the acceptance of credit card payments from customers. The company manages this risk by only granting credit subject to suitable credit references being obtained and by pre-authorising credit card payments prior to the customer occupying the rooms.

(c) Liquidity risk

The company practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient funding requirements for working capital. The company has debt facilities that are designed to ensure that it has sufficient available funds for operations and planned expansions.

(d) Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets consist of cash balances where as interest bearing liabilities consist of a bank loan.

The Ritz Hotel (London) Limited

Report of the directors for the year ended 31 December 2017 (continued) (registered number: 00064203)

Modern Slavery Act Statement

The Modern Slavery Act 2015 requires commercial organisations supplying goods or services with a turnover of above £36 million to prepare and publish an annual statement. The statement must set out the steps an organisation has taken, if any, during its financial year to ensure that slavery or human trafficking is not taking place in its supply chain.

According to the UN's International Labour Organisation and the Walk Free Foundation, modern slavery affects an estimated 40.3 million slaves around the world, of which 24.9 million were trapped in forced labour and 15.4 million in forced marriage. Modern slavery transcends age, gender and ethnicities and includes victims who have been brought from overseas and vulnerable people in the UK, who are forced to work illegally against their will across many different sectors.

The Company values: Consistency, Legendary, Magical, Elegance and Visionary underpin our culture and how we do business. They set the parameters for how we expect people to behave as we seek to treat everyone fairly and consistently, creating a workplace and business environment that is open, transparent and trusted. Our policies and procedures relating to the Modern Slavery Act are in line with our culture and values.

We have procedures in place to minimise the risk of modern slavery occurring in our business:

Ethical Recruitment

Our recruitment processes comply with UK employment laws, including: 'right to work' document and identification checks and employment contracts. The hotel provides market-related pay and rewards, which are benchmarked, and offers enhanced benefits, providing additional options to support our people's lifestyle choices.

Sexual Exploitation

Hotels can unknowingly be used to traffic victims for sexual exploitation. The Ritz requests ID for all in-house guests, which will deter most traffickers, thereby minimising this risk.

Responsible Supply Chains

Goods and services purchased by hotels, particularly from non-UK suppliers, represent hidden risks in terms of worker welfare. To minimise this risk, The Ritz makes a commitment to collaborate closely with suppliers to help them understand and work towards their own obligations under the Modern Slavery Act.

The Ritz has a responsible procurement policy, which reflects our commitment to, and focus on, suppliers' values and ethical supply chain(s).

We have mapped our supply chains and identified over 240 suppliers with spend of at least £10K. For those which we pay £200K and above (45% of total spend), we have mapped their location and 100% are located within the UK.

The Ritz has a procedure in place, which ensures that anyone who has concerns about guest or staff behaviours can raise their concerns confidentially.

The Ritz Hotel (London) Limited

Report of the directors for the year ended 31 December 2017 (continued) (registered number: 00064203)

Modern Slavery Act Statement (continued)

In 2018, we intend to further develop our Modern Slavery Act training, which will help employees to identify victims of modern slavery and advise how to report any suspicions they may have. Completion of this training will form a compulsory part of our employees' annual review and new starter induction processes.

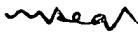
We will develop a procedure to monitor how our suppliers comply with our responsible procurement policy and measure our effectiveness in tackling modern slavery, by monitoring the following Modern Slavery Key Performance Indicator during the financial year 2018: "% of centralised procurement contract suppliers with Modern Slavery Act statements".

The Ritz Hotel (London) Limited shall take responsibility for this statement and its objectives, which will be reviewed and updated as appropriate.

Independent auditors

PricewaterhouseCoopers LLP has indicated their willingness to continue in office.

By order of the board


M Seal
Director
28th March 2018

The Ritz Hotel (London) Limited

Independent auditors' report to the members of The Ritz Hotel (London) London

Report on the audit of the financial statements

Opinion

In our opinion, The Ritz Hotel (London) Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report of the directors and consolidated financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2017; the consolidated statement of comprehensive income, the consolidated cash flow statement and information on consolidated cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

The Ritz Hotel (London) Limited

Independent auditors' report to the members of The Ritz Hotel (London) London (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

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.

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 auditors' report.

The Ritz Hotel (London) Limited

Independent auditors' report to the members of The Ritz Hotel (London) London (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 March 2018

The Ritz Hotel (London) Limited

Consolidated statement of comprehensive income for the year ended 31 December 2017

	NOTE	2017 £'000	2016 £'000
Turnover		46,068	43,030
Cost of sales		<u>(21,283)</u>	<u>(19,685)</u>
Gross profit		24,785	23,345
Administrative expenses		(13,827)	(12,698)
Other operating income	3	<u>3,572</u>	<u>3,479</u>
Operating profit	4	14,530	14,126
Interest receivable and similar income	7	4	7
Interest payable and similar charges	7	<u>(1,708)</u>	<u>(2,009)</u>
Profit on ordinary activities before taxation		12,826	12,124
Tax on profit on ordinary activities	8	<u>(2,469)</u>	<u>(2,424)</u>
Total comprehensive income for the financial year		<u>10,357</u>	<u>9,700</u>

All activities are classified as continuing.

The notes on pages 16 to 25 are an integral part of these financial statements.

There is no material difference between the reported profit on ordinary activities before taxation and the profit for the financial year and their historical cost equivalents for the years stated above.

The Ritz Hotel (London) Limited

Consolidated balance sheet as at 31 December 2017 (company number: 00064203)

	NOTE	2017		2016	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	10		151,582		149,346
Current assets					
Inventories	12	1,524		1,479	
Debtors: amounts falling due after more than one year	13	76,776		68,300	
Debtors: amounts falling due within one year	14	3,662		3,045	
Cash at bank and in hand		1,172		1,672	
			83,134		74,496
Creditors: amounts falling due within one year	15		(9,359)		(8,869)
Net current assets			73,775		65,627
Total assets less current liabilities			225,357		214,973
Creditors: amounts falling due after more than one year	15		(149,774)		(149,747)
Net assets			75,583		65,226
Capital and reserves					
Called up share capital	18		1,000		1,000
Revaluation reserve			22,441		22,441
Retained earnings			52,142		41,785
Total equity			75,583		65,226

Consolidated statement of changes in equity for the year ended 31 December 2017

	Called up Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At January 2016	1,000	22,441	32,085	55,526
Profit for the financial year	-	-	9,700	9,700
At 31 December 2016	1,000	22,441	41,785	65,226
Profit for the financial year	-	-	10,357	10,357
At 31 December 2017	1,000	22,441	52,142	75,583

The notes on pages 16 to 25 are an integral part of these financial statements.

The financial statements on pages 12 to 25 were approved by the board of directors on 28th March 2018 and were signed on its behalf by:



M Seal
Director

The Ritz Hotel (London) Limited

Company balance sheet as at 31 December 2017 (company number: 00064203)

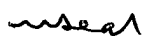
	NOTE	2017		2016	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	10		121,823		119,587
Investments	11		-		-
			<u>121,823</u>		<u>119,587</u>
Current assets					
Inventories	12	1,524		1,479	
Debtors: amounts falling due after more than one year	13	107,637		99,161	
Debtors: amounts falling due within one year	14	3,662		3,045	
Cash at bank and in hand		1,092		1,592	
			<u>113,915</u>	<u>105,277</u>	
Creditors: amounts falling due within one year	15		<u>(9,288)</u>		<u>(8,798)</u>
Net current assets			<u>104,627</u>		<u>96,479</u>
Total assets less current liabilities			226,450		216,066
Creditors: amounts falling due after more than one year	15		<u>(149,774)</u>		<u>(149,747)</u>
Net assets			<u>76,676</u>		<u>66,319</u>
Capital and reserves					
Called up share capital	18		1,000		1,000
Revaluation reserve			22,441		22,441
Retained earnings			53,235		42,878
Total equity			<u>76,676</u>		<u>66,319</u>

Company statement of changes in equity for the year ended 31 December 2017

	Called up share capital	Revaluation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2016	1,000	22,441	33,178	56,619
Profit for the financial year	-	-	9,700	9,700
At 31 December 2016	1,000	22,441	42,878	66,319
Profit for the financial year	-	-	10,357	10,357
At 31 December 2017	1,000	22,441	53,235	76,676

The notes on pages 16 to 25 are an integral part of these financial statements.

The financial statements on pages 12 to 25 were approved by the board of directors on 28th March 2018 and were signed on its behalf by:


M Seal
Director

The Ritz Hotel (London) Limited

Information on consolidated cash flows for the year ended 31 December, 2017

Reconciliation of operating profit to net cash inflow from operating activities

	2017 £'000	2016 £'000
Operating profit	14,530	14,126
Depreciation	2,539	2,350
Increase in inventories	(45)	(194)
Increase in debtors	(617)	(499)
Increase in creditors	445	262
Net cash inflow from operating activities	16,852	16,045

Consolidated cash flow statement for the year ended 31 December 2017

	2017 £'000	2016 £'000
Net cash inflow from operating activities	16,852	16,045
Taxation paid	(2,424)	(3,634)
Interest paid	(1,681)	(1,983)
Net cash generated from operating activities	12,747	10,428
Cash flow from investing activities		
Purchase of tangible assets	(4,775)	(4,952)
Interest received	4	7
Net cash used in investing activities	(4,771)	(4,945)
Cash flow from financing activities		
Loan advanced to fellow subsidiary	8,476	(5,972)
Net cash used in financing activities	(8,476)	(5,972)
Net decrease in cash at bank and in hand	(500)	(489)
Cash and cash equivalents at beginning of year	1,672	2,161
Cash and cash equivalents at end of year	1,172	1,672
Cash and cash equivalents is made up of:		
Cash at bank and in hand	1,172	1,672

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017

1 General information

The Ritz Hotel (London) Limited ("the company") is the parent of 22 Arlington Street Limited, a property investment company. Together they comprise the group.

The company is a private limited company and is incorporated and domiciled in the UK and its registered office is 150 Piccadilly, London, W1V 9DG.

2 Statement of compliance

The individual and group financial statements of The Ritz Hotel (London) Limited are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The financial reporting standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards under the historical cost convention, as modified by the revaluation of freehold land and buildings which, following the adoption of FRS 15 in 2000 is now deemed to be cost. The directors consider that the accounting policies set out below are the most appropriate to the circumstances of the company and the group, have been consistently applied, and are supported by reasonable judgements and estimates.

The preparation of financial statements in conformity with FRS 102 requires the directors to make judgements, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 of the revision and future periods if the revision affects both current and future periods.

Basis of consolidation

The consolidated financial statements include the financial statements of the group and all of its subsidiary undertakings up to 31 December 2017. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of their acquisition or up to the date of their disposal. Profits relating to intra-group trading have been eliminated.

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

Turnover

Turnover, which excludes value added tax, comprises the company's income from the operation of its hotel and property for rent and is wholly earned in the United Kingdom. This arises primarily from the letting of bedroom and suite accommodation, providing conference and events facilities and the service of food and beverage. Revenue is recognised on the daily occupation of accommodation and once a service has been rendered.

Other operating income

Other operating income consists mainly of rents generated from the lease of the casino and the jewellery shop to fellow subsidiary companies.

Tangible fixed assets

Tangible fixed assets are held at modified historical cost less accumulated depreciation. The company previously adopted a policy of revaluing freehold land and buildings and they were stated at their revalued amount less subsequent depreciation and accumulated impairment losses. The company has adopted the transition exemption under FRS 102 paragraph 35.10(d) and has elected to use previous revaluation as deemed cost.

The company separates its properties into components where they have significantly different useful economic lives and depreciates each component appropriately. Depreciation is provided on tangible fixed assets on a straight line basis as follows:

Freehold properties	See below
Short leasehold land and buildings	Term of lease
Fixtures, fittings and equipment	3 to 15 years

No depreciation is provided on freehold land or buildings of The Ritz Hotel on the grounds that any depreciation charge would be immaterial because the length of the estimated remaining useful life of the asset is greater than 50 years and the directors' estimate of the residual value is in excess of its carrying value. The directors' assessment of residual value is based on their best estimate of prices prevailing at the year end or a subsequent independent valuation.

Leasehold premises are amortised over the remaining period of the lease or until the first review period if it is the intention to terminate the lease at that stage.

Where any permanent diminution of the property value is incurred, a provision is made in the profit and loss account. The directors' estimate of residual values is based on prices prevailing at the year end or subsequent independent valuation.

Fixed asset investment

Fixed asset investments are valued at cost less impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the business or disposal value if higher.

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

Taxation

Corporation tax is provided on taxable profits at the standard rate of corporation tax in the United Kingdom of 19.25% (2016: 20%).

Deferred tax is accounted for on an undiscounted basis at tax rates enacted or substantially enacted at the balance sheet date on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

Inventories

Inventories are valued at the lower of cost and net realisable value. Obsolete, slow moving and defective stock is valued at £nil.

Foreign currency conversion

Trading transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling when the transaction is completed. Exchange gains and losses arising from trading transactions are included in operating profit.

Financing costs

Arrangement fees and other issue costs incurred as a result of entering into loan and other facilities are recorded against the associated debt and amortised over the length of the related loan or facility.

Other operating income

Other operating income includes rental income and other fees from group and other undertakings and is recognised on an accrual basis in accordance with the substance of the relevant agreements.

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

4	Operating profit	2017 £'000	2016 £'000
	Operating profit is stated after charging:		
	Auditors' remuneration:		
	Fees payable to the company's auditors for the audit of the group's annual financial statements	33	32
	The audit of the statutory financial statements of the company's subsidiary	-	-
	Depreciation of tangible fixed assets	<u>2,539</u>	<u>2,350</u>
5	Directors' emoluments		
	A.M.Love is the only director who is paid a nominal amount for his services to the hotel.		
		2017 £'000	2016 £'000
	Aggregate emoluments for qualifying services	25	24
	Company contributions paid to money purchase pension scheme	-	-
		<u>25</u>	<u>24</u>
	Highest paid director:		
	Aggregate emoluments	25	24
	Company contributions paid to money purchase pension scheme	-	-
		<u>25</u>	<u>24</u>
6	Employee information		
	a) The average monthly number of persons employed by the group (excluding executive directors) during the year is analysed below:		
		2017	2016
	Selling and Distribution	372	335
	Administration	66	65
		<u>438</u>	<u>400</u>
	b) The aggregate payroll costs of these persons were as follows:		
		2017 £'000	2016 £'000
	Wages and salaries	11,733	10,870
	Social security costs	1,053	958
	Other pension costs	446	403
		<u>13,232</u>	<u>12,231</u>

The pension costs represents contributions payable by the group to a personal pension scheme approved under the stakeholder pensions rules.

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

7 Net interest

	2017 £'000	2016 £'000
Interest payable and similar charges	1,681	1,983
Amortisation of bank loan arrangement fee	27	26
	1,708	2,009
Interest receivable and similar income	(4)	(7)
	<u>1,704</u>	<u>2,002</u>

8 Tax on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax:		
United Kingdom corporation tax on profits of the year	2,469	2,424
Deferred tax:		
Deferred taxation: origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	<u>2,469</u>	<u>2,424</u>

The taxation assessed for the year is the same as the standard rate of corporation tax in the United Kingdom, 19.25% (2016: 20%). The calculation is explained below:

Profit on ordinary activities before taxation	<u>12,826</u>	<u>12,124</u>
Profit on ordinary activities multiplied by the standard rate in the United Kingdom of 19.25% (2016: 20%)	2,469	2,424
Effects of:		
Expenses not deductible for tax purposes	4	4
Origination and reversal of timing differences	(98)	(69)
Group relief surrendered for nil consideration	94	65
Total taxation	<u>2,469</u>	<u>2,424</u>

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

9 Profit of parent company

A total profit of £10.4 million (2016: profit £9.7 million) has been recognised in the financial statements of The Ritz Hotel (London) Limited. The company has taken advantage of section 480(3) of the Companies Act 2006 allowing it not to publish a separate profit and loss account.

10 Tangible assets

Group

	Freehold & land & buildings £'000	Leasehold land & buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At 1 January 2017	157,924	7,191	29,024	194,139
Additions	-	-	4,775	4,775
At 31 December 2017	157,924	7,191	33,799	198,914
Accumulated depreciation				
At 1 January 2017	26,747	323	17,723	44,793
Charge for the year	-	-	2,539	2,539
At 31 December 2017	26,747	323	20,262	47,332
At 31 December 2017	131,177	6,868	13,537	151,582
At 31 December 2016	131,177	6,868	11,301	149,346

Company

	Freehold land and buildings £'000	Leasehold land & buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 January 2017	127,164	7,191	29,024	163,379
Additions	-	-	4,775	4,775
At 31 December 2017	127,164	7,191	33,799	168,154
Accumulated depreciation				
At 1 January 2017	25,746	323	17,723	43,792
Charge for the year	-	-	2,539	2,539
At 31 December 2017	25,746	323	20,262	46,331
At 31 December 2017	101,418	6,868	13,537	121,823
At 31 December 2016	101,418	6,868	11,301	119,587

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

11 Investments - company

The company has a 50% interest in Ritz Products (UK) Limited, a company incorporated in Great Britain, and registered in England and Wales. The company's registered office is 150 Piccadilly, London W1V 9DG. The cost of £305,000 has been fully written off. The company promotes products bearing the "Ritz" name. Details of the Joint Venture undertaking's issued share capital are as follows:

	<u>Percentage held</u>
305,000 (2016: 305,000) £1 "A" Ordinary shares	100%
305,000 (2016: 305,000) £1 "B" Ordinary shares	<u>Nil</u>

The voting rights for fully paid "A" Ordinary Shares are equal to those attaching to the "B" Ordinary shares held by The Ritz Hotel, Limited. The results of Ritz Products (UK) Limited are not included in the consolidated results on the basis that they are wholly immaterial.

The company holds the entire issued share capital of 22 Arlington Street Limited, a company incorporated in Jersey, and which owns the freehold interest of property located at 22 Arlington Street, London.

The Directors believe that the carrying value of investments is supported by the underlying net assets.

12 Inventories – group and company

	<u>2017</u> <u>£'000</u>	<u>2016</u> <u>£'000</u>
Raw materials and consumables	805	790
Finished goods and goods for resale	<u>719</u>	<u>689</u>
	<u>1,524</u>	<u>1,479</u>

13 Debtors: Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	<u>2017</u> <u>£'000</u>	<u>2016</u> <u>£'000</u>	<u>2017</u> <u>£'000</u>	<u>2016</u> <u>£'000</u>
Amount owed by Ellerman Holdings Limited group	76,776	68,300	76,776	68,300
Amount owed by subsidiary company	-	-	30,861	30,861
	<u>76,776</u>	<u>68,300</u>	<u>107,637</u>	<u>99,161</u>

The amounts owed by the group undertakings and subsidiary company are unsecured, interest free and have no fixed terms of repayment and are repayable on demand.

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

14 Debtors: Amounts falling due within one year: group and company

	2017 £'000	2016 £'000
Trade debtors	1,903	1,551
Other debtors	464	531
Prepayments and accrued income	1,295	963
	<u>3,662</u>	<u>3,045</u>

15 Creditors: amounts falling due within one year

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade creditors	2,920	2,335	2,920	2,335
Corporation tax creditor	1,269	1,224	1,269	1,224
Other taxation and social security	1,373	1,312	1,373	1,312
Accruals and deferred income	3,797	3,998	3,726	3,927
	<u>9,359</u>	<u>8,869</u>	<u>9,288</u>	<u>8,798</u>

Creditors: amounts falling due after more than one year: group and company

	2017 £'000	2016 £'000
Bank loan	<u>149,774</u>	<u>149,747</u>

The bank loan is secured by legal charges over the land and buildings of the company and bears interest at a rate of LIBOR plus 0.8% and is repayable in 2026. Netted against the bank loan balance is an amount of £226,088 (2016: £252,338) relating to arrangement fees incurred on inception of the loan. The arrangement fees are amortised to the profit and loss account over the term of the facility and an amount of £27,000 was amortised in the current financial year (2016: £26,250).

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

16 Provision for liabilities: group and company

Deferred tax

No deferred taxes have been recognised in the balance sheet. The 2017 potential deferred tax asset not recognised analysis is as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	30	108
Losses carried forward	<u>1</u>	<u>1</u>
As at 31 December	<u>31</u>	<u>109</u>

17 Pensions

With effect from 1 January 2001 the company has established a personal pension scheme approved under the Stakeholder pensions rules. The contributions made by the company for year amounted to approximately £446,000 (2016: £403,000).

18 Called up share capital – group and company

	2017 £'000	2016 £'000
Authorised and fully paid 1,000,000 (2016: 1,000,000) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

19 Related party transactions

As all of the company's voting rights are controlled within the group headed by Ellerman Holdings Limited, the company has taken advantage of the exemption contained in FRS 102 para.33.1A and has therefore not disclosed transactions or balances with entities which form part of the Ellerman Holdings Limited group or are disclosed in the Ellerman Holdings Limited group financial statements.

The Ritz Hotel (London) Limited

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

20 Investment in subsidiaries

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, the country of incorporation and effective percentage of ownership has been disclosed below.

<u>Name</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
22 Arlington Street Limited	Jersey	100%

The registered office of 22 Arlington Street Limited is: Gaspé House, 66-72 Esplanade, St Helier, Jersey JE2 3QT.

21 Ultimate controlling party

The immediate holding company is Ellerman Holdings Limited, a company incorporated in Jersey which the directors regard as being ultimately controlled by the Sir David and Sir Frederick Barclay Family Settlements.

B.UK. Limited, a company incorporated in Bermuda, is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2017.