

COMPANY NUMBER: 08083333

PARK ROYAL HOTEL OPERATOR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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PARK ROYAL HOTEL OPERATOR LIMITED

Company number: 08083333

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PARK ROYAL HOTEL OPERATOR LIMITED

Company number: 08083333

COMPANY INFORMATION

Directors

V Ebbon
G Hegarty

Secretary

A Freeman

Registered office

County Hall – Riverside Building
2nd Floor
Belvedere Road
London
England
SE1 7GP

Company Number

08083333

Registered auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Bankers

Santander UK Plc

PARK ROYAL HOTEL OPERATOR LIMITED

Company number: 08083333

STRATEGIC REPORT

The directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2021.

Principal activities

Its principal activity is the operation of a hotel property.

Review of business

The hotel increased the turnover generated in the year by £913k to £3,351k (2020: £2,438k) and a gross profit of £352k (2020: £7k). The increase in revenue in the year is due to the increased trade in 2021 compared to 2020 in which there were tougher restrictions in place impacting the hotel and the start of the Covid-19 pandemic resulting in closure of the hotel from March to July 2020. This has impacted the final result for the Company as well and resulted in a loss for the year, as the market is still recovering and there were restrictions in the UK until July 2021, which impacted the trading of the hotel for the first half of 2021.

The statement of financial position shows that the net carrying value of the Company's net liabilities at the year end was £7,703k (2020: £5,760k), which has increased due to the losses in the year.

In summary the key performance indicators that we use to monitor business performance are as follows:

- Turnover growth;
- Occupancy rates;
- Average room rate (ARR);
- Revenue per available room (REVPAR).

Principal risks and uncertainties

The Company is directly exposed to the risks associated with the hotel industry as follows:

a. Treasury operations

The Company has no borrowings and so its principal instruments are cash balances. In addition the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from the operations of the business.

b. Liquidity risk

The Company manages its cash requirements at a group level to maximise interest income and minimise interest expense, whilst ensuring that the company has sufficient liquid resources to meet the operating needs of its business.

c. Interest rate risk

The Company is exposed to fair value interest rate risk on its bank overdraft facility only.

PARK ROYAL HOTEL OPERATOR LIMITED

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STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

d. Foreign currency risk

At the year-end there were no commitments to forward purchase any foreign currency.

e. Credit risk

Investments of cash surpluses are made with the company's main bankers. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

f. COVID-19 risk

The Global COVID-19 pandemic has continued to impact the operations of the hotel at the start of 2021 with restrictions in place impacting the results of the first two quarters of 2021. During the summer of 2021 all restrictions in the UK were lifted following the successful vaccine roll out and resulted in increased trade for the second half of 2021. The industry is showing the start of the recovery for the hospitality industry and the hotel has remained open with no restrictions since July 2021 to the year end and post year end. The situation is continuously being monitored by management as there could still be a risk to the business if any further unforeseen events in relation to the pandemic.

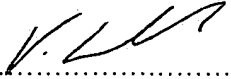
g. Ukraine risk

During 2022, Russia has invaded and started a war in Ukraine which is currently ongoing. Management have considered the current situation and consider there to be no direct impact on the Company, however are closely monitoring the situation as it unfolds.

Future business developments

The directors expect the Company to see a continuation in trading improvement in 2022, as the hospitality industry continues to recover from the impact of the Covid-19 pandemic. The Company has seen improvements in 2021, even with the restrictions in place during the first half of the year. The Company witnessed increases in guest numbers and bookings in the hotel during the second half of the year and the directors are confident that this trend will continue as the market recovers.

Approved by the Board and signed on its behalf by


.....
V Ebbon
Director

Date: 20 - 6 - 22

PARK ROYAL HOTEL OPERATOR LIMITED

Company number: 08083333

REPORT OF THE DIRECTORS

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

Matters covered in the strategic report

A review of the business including future developments and principal risks and uncertainties are not shown in the Directors' Report as this information is included within the Strategic Report under s414C(11) of the Companies Act 2006.

Results and dividends

The results for the year are set out on page 11.

The directors have not recommended a dividend for the current year (2020: £nil), due to the losses in the year and the negative reserves.

Directors

The directors of the Company during the year and until the date of this report were:

V Ebbon
G Hegarty

Going concern

As at 31 December 2021 the company's current liabilities exceeded current assets by £7,215k (2020: £5,922k). The directors have reviewed detailed business plans and cash flow projections to 31 December 2023 and believe that the company has sufficient cash resources to cover both working capital and capital expenditure requirements. The ultimate parent company and its subsidiaries have declared that they do not intend to call in any balances owed to them and will provide additional funding if required, for a period of at least 12 months from the date of signing the financial statements. The directors consider this to be sufficient to support the business, which the group and subsidiaries are able to provide for 12 months from signing the financial statements and the going concern assessment to be appropriate.

During 2020 and 2021, the company has been impacted by the Covid-19 pandemic, which forced the hotel to close in March 2020 and was reopened in July 2020 with social distancing and restrictions in place. The hotel has remained open since July 2020 with reduced occupancy at specific times in the year due to restrictions. Since the closure in March 2020, the company has worked on protecting the balance sheet position and significantly reducing the cash outflow during this challenging period. The measures taken by the company include a significant reduction in payroll including the use of the Coronavirus Job Retention Scheme for the majority of the employees, deferral of any staff incentive payments, business rate holidays and deferrals on VAT and PAYE payments, as well as an 85% rental waiver from 1 April 2020 to 31 March 2021 from the landlord. All these factors have had a material part in the company's costs for the year and have been used as and when they have been available, however the majority of the schemes ended in 2021 and the company has been working on how to manage without these in place as they continue to recover in the market. The forecasts have taken into account the end of these support schemes and any deferral repayments still needed into 2022 along with the assumption of improved performance from Q1 2022 and operating results improving gradually throughout the rest of 2022.

The directors are satisfied that it is appropriate to prepare accounts on a going concern basis.

Subsequent events

There were no events subsequent to the balance sheet date that required adjustment to or disclosure in the financial statements.

PARK ROYAL HOTEL OPERATOR LIMITED

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REPORT OF THE DIRECTORS (continued)

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

As at 31 December 2021, the number of creditor days in relation to trade creditors outstanding at the year end was 13 days (2020: 13 days).

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled employees should, as far as possible be identical to that of other employees.

Employee involvement

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, company intranet and newsletter. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Details of the number of employees and related costs can be found in note 7 to the financial statements.

Disclosure of information to the auditor

So far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information, and taken such other steps for that purpose, as were required by their duty as directors of the company to exercise due care, skill and diligence.

Auditor

It is proposed that Mazars LLP will continue in office in accordance with the Companies Act 2006 section 487(2).

Approved by the Board and signed on its behalf by

.....
V Ebbon

Director

Date: 20-6-22

PARK ROYAL HOTEL OPERATOR LIMITED

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DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK law and regulations. Company law requires the directors to prepare financial statements for each financial period. 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 Financial Reporting Standard 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 those financial statements, the directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * comply with applicable UK Accounting Standards subject to any material departures disclosed and explained in the financial statements; 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

PARK ROYAL HOTEL OPERATOR LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARK ROYAL HOTEL OPERATOR LIMITED

Opinion

We have audited the financial statements of Park Royal Hotel Operator Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- 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;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 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.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual 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.

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 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

PARK ROYAL HOTEL OPERATOR LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARK ROYAL HOTEL OPERATOR LIMITED (continued)

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.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, non-compliance with implementation of government support schemes relating to COVID-19.

PARK ROYAL HOTEL OPERATOR LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARK ROYAL HOTEL OPERATOR LIMITED (continued)

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as: tax legislation, employment legislation e.g. CJRS, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to: posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the completeness and cut off) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the director and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

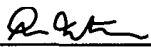
PARK ROYAL HOTEL OPERATOR LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARK ROYAL HOTEL OPERATOR LIMITED (continued)

Use of the audit 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.


Richard Metcalfe (Jun 22, 2022 16:11 GMT+1)

Richard Metcalfe (Senior statutory auditor)

for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)
30 Old Bailey
London
EC4M 7AU

Date: Jun 22, 2022

PARK ROYAL HOTEL OPERATOR LIMITED

Company number: 08083333

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £'000	2020 £'000
Turnover	2,5	3,351	2,438
Cost of Sales		(2,999)	(2,431)
Gross profit		352	7
Administrative expenses		(1,209)	(326)
Other Operating income	6	41	-
Operating loss	9	(816)	(319)
Interest receivable and similar income	10	1	1
Interest payable and similar charges	11	(1,128)	(1,374)
Loss before taxation		(1,943)	(1,692)
Taxation	12	-	-
Loss for the year		(1,943)	(1,692)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(1,943)	(1,692)

All the Company's activities were derived from continuing operations in the current year and preceding year.

The notes on pages 14 to 28 form part of these financial statements.

PARK ROYAL HOTEL OPERATOR LIMITED


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STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Right of use asset	13	<u>27,154</u>	<u>36,088</u>
		27,154	36,088
Current assets			
Inventories	14	18	12
Trade and other receivables	15	208	210
Cash and cash equivalents		<u>327</u>	<u>312</u>
		553	534
Current liabilities			
Trade and other payables	16	(6,670)	(5,132)
Obligations under leases	17	<u>(1,098)</u>	<u>(1,324)</u>
Net current liabilities		<u>(7,215)</u>	<u>(5,922)</u>
Long Term Liabilities			
Obligations under leases	17	<u>(27,642)</u>	<u>(35,926)</u>
Net liabilities		<u>(7,703)</u>	<u>(5,760)</u>
Capital and reserves			
Share capital	18	-	-
Retained loss	19	<u>(7,703)</u>	<u>(5,760)</u>
Total shareholders' deficit - equity		<u>(7,703)</u>	<u>(5,760)</u>

The accompanying notes on pages 14 to 28 are an integral part of this statement of financial position.

Approved by the Board and authorised for issue by:



 V Ebbon
 Director

Date: 20-6-22

PARK ROYAL HOTEL OPERATOR LIMITED

Company number: 08083333

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share Capital £'000	Retained loss £'000	Total £'000
As at 1 January 2020	-	(4,068)	(4,068)
Loss for the year	-	(1,692)	(1,692)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(1,692)	(1,692)
As at 31 December 2020	-	(5,760)	(5,760)
Loss for the year	-	(1,943)	(1,943)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(1,943)	(1,943)
As at 31 December 2021	-	(7,703)	(7,703)

PARK ROYAL HOTEL OPERATOR LIMITED

Company number: 08083333

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Park Royal Hotel Operator Limited is a Company incorporated in the United Kingdom under the Companies Act. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 and 3. The address of the Company's registered office is set out on page 1.

The Company is a wholly-owned subsidiary of PPHE Hotel Group Limited, incorporated in Guernsey.

2. Accounting policies

Basis of preparation

The financial statements of Park Royal Hotel Operator Limited have been prepared in accordance with International Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The recognition, measurement and disclosure requirements (except for certain disclosure exemptions detailed below) of Financial Reporting Standards as adopted by the UK (UK-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations'). The financial statements have been prepared on the historical cost basis unless otherwise specified within these accounting policies. The principal accounting policies set out below have been consistently applied to all periods presented.

Going concern

As at 31 December 2021 the company's current liabilities exceeded current assets by £7,215k (2020: £5,922k). The directors have reviewed detailed business plans and cash flow projections to 31 December 2023 and believe that the company has sufficient cash resources to cover both working capital and capital expenditure requirements. The ultimate parent company and its subsidiaries have declared that they do not intend to call in any balances owed to them and will provide additional funding if required, for a period of at least 12 months from the date of signing the financial statements. The directors consider this to be sufficient to support the business, which the group and subsidiaries are able to provide for 12 months from signing the financial statements and the going concern assessment to be appropriate.

During 2020 and 2021, the company has been impacted by the Covid-19 pandemic, which forced the hotel to close in March 2020 and was reopened in July 2020 with social distancing and restrictions in place. The hotel has remained open since July 2020 with reduced occupancy at specific times in the year due to restrictions. Since the closure in March 2020, the company has worked on protecting the balance sheet position and significantly reducing the cash outflow during this challenging period. The measures taken by the company include a significant reduction in payroll including the use of the Coronavirus Job Retention Scheme for the majority of the employees, deferral of any staff incentive payments, business rate holidays and deferrals on VAT and PAYE payments, as well as an 85% rental waiver from 1 April 2020 to 31 March 2021 from the landlord. All these factors have had a material part in the company's costs for the year and have been used as and when they have been available, however the majority of the schemes ended in 2021 and the company has been working on how to manage without these in place as they continue to recover in the market. The forecasts have taken into account the end of these support schemes and any deferral repayments still needed into 2022 along with the assumption of improved performance from Q1 2022 and operating results improving gradually throughout the rest of 2022. The directors are satisfied that it is appropriate to prepare accounts on a going concern basis

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

- (i) The requirement of IFRS 7 'Financial Instruments : Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as the available for sale investments and derivative financial instruments;
- (iii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;
- (iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79a, iv), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73e) and the reconciliation of the carrying amount of intangible assets (IAS 18.118e);
- (v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;
- (vii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and
- (viii) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group.

For the disclosure exemptions listed in points i to iii, the equivalent disclosures are included in the consolidated financial statements of the PPHE Hotel Group Limited which the Company is consolidated into and that are publicly available from www.pphe.com

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

Standards, amendments and interpretations adopted in the current financial year ended 31 December 2021

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements.

	UK effective date – periods beginning on or after
IFRS 16 Amendment: Covid-19-Related Rent Concessions beyond 30 June 2021	1 January 2021
IFRS 9, IAS 39, IFRS 16, IFRS 4 IFRS 7 Amendments: Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 4 Amendment: Extension of the Temporary Exemption from Applying IFRS 9	1 January 2021

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****2. Accounting policies (continued)****Standards, amendments and interpretations in issue but not yet effective**

The directors are currently assessing the impact of adopting the new standards and interpretations noted below.

	UK effective date – periods beginning on or after
IAS 16 Property, Plant and Equipment (Amendment): Proceeds before Intended Use	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Amendment): Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRSs (2018 – 2020 cycle)	1 January 2022
IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January 2023
IAS 1 Amendment: Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendment: Definition of Accounting Estimates	1 January 2023
IAS 12 Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 Insurance Contracts and IFRS 17 Amendment: Amendments to IFRS 17	1 January 2023

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

Revenue recognition

Turnover represents the amounts invoiced, excluding value added tax, in respect of rents receivable. All the revenue is derived from UK operations.

Functional currency

The functional currency of the Company is GBP sterling, the currency in which the majority of the Company's transactions are denominated, and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the profit and loss account.

Taxation

Current and deferred tax charges are recognised in the profit and loss, except where the tax charge relates to items which are recognised directly in equity or other comprehensive income.

Current tax comprises the expected tax payable or receivable in respect of taxable profits or losses in the year plus any prior year adjustments. It is measured using the UK tax rates and laws enacted or substantially enacted at the reporting date.

Deferred taxation is provided in respect of temporary timing differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is measured on a non-discounted basis, using the UK tax rates and laws that are enacted or substantially enacted at the reporting date and are expected to apply in the periods in which the timing differences are expected to reverse.

Deferred tax assets are recognised only to the extent that it is probable that there will be sufficient future taxable profits against which it can be utilised.

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

PARK ROYAL HOTEL OPERATOR LIMITED

Company number: 08083333

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the statement of financial position and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the statement of financial position. The interest elements of the rental obligations are charged to the statement of comprehensive income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

The Company has applied the practical expedient in paragraph 46A of the Covid-19-Related Rent Concessions Amendment to IFRS 16. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The practical expedient has been applied to all rent concessions that meet the conditions of the amendment.

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

Pension

The Company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account in the period to which they relate.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument.

Financial assets

The Company classifies its financial assets as trade and other receivables. Classification of financial assets depends on the purpose for which the financial assets are required. The Company determines the classification of its financial assets at initial recognition.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and subsequently measured at amortised cost. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are recognised as financial assets. They comprise cash held by the Group and short term bank deposits with an original maturity date of three months or less.

Financial liabilities

The Company classifies its financial liabilities as trade and other payables. Classification of financial liabilities depends on the purpose for which the financial liabilities are required. The Company determines the classification of its financial liabilities at initial recognition.

Trade payables

Trade payables are initially recognised as financial liabilities measured at fair value, and subsequent to initial recognition measured at amortised cost.

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

Financial liabilities

Bank borrowings

Interest bearing bank loans, overdrafts and other loans are recognised as financial liabilities and recorded at fair value, net of direct issue costs. Finance costs are accounted for on the accruals basis in the income statement using the effective interest rate.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply the conditions attaching to them and that the grants will be received. Government grants are recognised in profit and loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

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 cost are recognised in the profit or loss in the period in which they become receivable.

Government grants received in the year in relation to the CJRS scheme have been netted off against the relevant expense rather than being recognised as other income.

Government grants received in the year in relation to Covid-19 restart have been recognised as other exceptional income.

3. Critical accounting judgements and key sources of estimation uncertainty

The Company's significant accounting policies are outlined in note 2 to the financial statements. No other significant accounting policies require the directors to make difficult, subjective or complex judgements or estimates.

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. Significant accounting policies

Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17.

Policies applicable from 1 January 2019

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 lease of low value. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

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 are the fixed lease payments less any incentives receivable.

The lease liability is presented as a separate line on 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 right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****5. Turnover**

An analysis of the Company's revenue is as follows:

	2021	2020
	£'000	£'000
Revenue from the United Kingdom	<u>3,351</u>	<u>2,438</u>

6. Other Operating Income

	2021	2020
	£'000	£'000
Council Lockdown Grant	<u>41</u>	<u>-</u>

During 2021, there were local Council Lockdown Grants available to the hospitality industry due to the restrictions in place in early 2021, which the company received in the year.

7. Staff costs

	2021	2020
	£'000	£'000
Wages and salaries	779	756
Social security costs	78	90
Pension costs	12	16
	<u>869</u>	<u>862</u>

The average monthly number of employees during the year was:

	2021	2020
	Number	Number
Management & Administration	7	11
Hotel Staff	25	34
	<u>32</u>	<u>45</u>

The company operates a defined contribution scheme for employees. The assets of the scheme are held in a separate trustee administered fund. The pension costs charge represents contributions payable by the company to the fund amounting to £12,007 (2020: £16,130). There were no outstanding contributions at the year-end (2020: £nil).

The company received government grants relating to the Coronavirus Job Retention Scheme (CJRS) of £84,212 in the year (2020: £243,649). This has been presented and included within the note above:

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****8. Directors' emoluments**

The Company's directors did not receive any emoluments during the year (2020: £nil) in respect of their services to the company.

9. Operating loss

Operating loss for the year is stated after charging:	2021 £'000	2020 £'000
Auditors remuneration – audit	12	10
Auditors remuneration – other services	2	2

10. Interest receivable and similar income

	2021 £'000	2020 £'000
Bank interest	<u>1</u>	<u>1</u>

11. Interest payable and similar charges

	2021 £'000	2020 £'000
Interest expense on lease liabilities	<u>1,128</u>	<u>1,374</u>

12. Taxation

	2021 £'000	2020 £'000
Recognised in the statement of total comprehensive income		
Current tax expense	-	-
In respect of prior years	<u>-</u>	<u>-</u>
Deferred tax expense	-	-
Total income tax charge in the statement of total comprehensive income	<u>-</u>	<u>-</u>

Factors affecting tax charge for the current year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK: 19% (2020: 19%)

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****12. Taxation (continued)**

Reconciliation of effective tax rate	2021 £'000	2020 £'000
Loss before tax	(1,943)	(1,692)
Tax at the applicable tax rate of 19% (2020: 19%)	(369)	(321)
Group relief	369	321
Total income tax expense	-	-

The standard rate of UK Corporation Tax is to remain at 19% until 31 March 2023. The Finance Act 2021, which increased the UK corporate tax main rate from 19% to 25% from 1 April 2023 which substantively enacted in May 2021. In summary, the rate of corporation tax from 1 April 2023 will increase to 25% for companies generating taxable profits of more than £250,000. The current 19% tax rate will continue to apply to 'small' companies with profits less than £50,000, with a 'taper relief rate' for those companies with profits between the new thresholds.

13. Right of use asset

	Land and buildings £'000	Total £'000
Cost		
At 1 January 2021	39,758	39,758
Fair value adjustment	(11,513)	(11,513)
At 31 December 2021	28,245	28,245
Depreciation		
At 1 January 2021	(3,670)	(3,670)
Fair value adjustment	4,129	4,129
Charge for year	(1,550)	(1,550)
At 31 December 2021	(1,091)	(1,091)
Net book value		
At 31 December 2021	27,154	27,154
At 31 December 2020	36,088	36,088

The Company leases a hotel from a related party and all leases relate to this Building/Property. The lease term is 19 years.

On 1 April 2021, there was a rental review in which the annual rental for the property was adjusted to reflect the current market conditions and was reduced following the third party valuation. This resulted in a fair value adjustment to the asset cost and depreciation. There were no other adjustments to the lease.

PARK ROYAL HOTEL OPERATOR LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****13. Right of use asset (continued)**

Amounts recognised in the statement of comprehensive income:

	2021	2020
	£'000	£'000
Depreciation expense on right of use asset	1,550	1,835
Interest expense on lease liabilities	1,128	1,374
Changes in lease payments that arise from rent concessions to which the lease has applied the practical expedient.	(563)	(1,689)

The company received an 85% rent waiver from the Landlord of the hotel property from 1 April 2020 to 31 March 2021 and has applied the practical expedient under IFRS 16 Rent concessions resulting in a credit to the Statement of Income.

14. Inventories

	2021	2020
	£'000	£'000
Goods for resale	18	12

There is no material difference between the carrying value of inventories and their replacement costs.

15. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	80	10
Amounts owed to related party undertakings	4	14
Prepayments and other debtors	124	186
	<u>208</u>	<u>210</u>

All amounts fall due within one year.

16. Trade and other payables

	2021	2020
	£'000	£'000
Trade payables	107	28
Amounts due to related party undertakings	6,023	4,843
Taxation and social security	47	77
Accruals and deferred income	493	184
	<u>6,670</u>	<u>5,132</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****17. Lease liabilities**

	2021 £'000	2020 £'000
Analysed as:		
Current	1,098	1,324
Non-current	27,642	35,926
	<u>28,740</u>	<u>37,250</u>
Maturity analysis:		
Within one year	1,098	1,324
Within two to five years	4,811	4,293
Over five years	22,831	31,633
	<u>28,740</u>	<u>37,250</u>

The undiscounted future cash flows on the lease as at 31 December were as follows:

	2021 £'000	2020 £'000
Within one year	2,120	2,650
Within two to five years	8,480	10,600
Over five years	27,560	38,867
	<u>38,160</u>	<u>52,117</u>

On 1 April 2021, there was a rental review in which the annual rental for the property was adjusted to reflect the current market and reduced from £2,650k per annum to £2,120k per annum. There were no other adjustments to the lease.

18. Share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid:		
100 (2020: 100) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

The Company has one class of ordinary shares which carry no right to fixed income.

19. Retained loss

	2021 £'000	2020 £'000
Share capital	-	-
Retained loss	(7,703)	(5,760)
	<u>(7,703)</u>	<u>(5,760)</u>

Retained loss

Retained loss represents accumulated comprehensive income for the year and prior periods.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

20. Capital commitments

At 31 December 2021 and 31 December 2020 the Company had no capital commitments.

21. Related parties

The Company has taken advantage of the exemption under IAS 24, "Related Party Disclosures", not to disclose transactions with group undertakings as it is a subsidiary undertaking which is 100% controlled by the ultimate parent undertaking.

For the year ended 31 December 2021 the Company had no transactions with other subsidiaries of PPHE Hotel Group Limited that are not 100% owned.

22. Control

The company's immediate and ultimate parent undertaking was PPHE Hotel Group Limited, a company registered in Guernsey. Copies of the consolidated financial statements of PPHE Hotel Group Limited are available to the public on the Company's website at www.pphe.com.

23. Subsequent Events

There were no events subsequent to the balance sheet date that required adjustment to or disclosure in the financial statements.