

De Vere Tortworth Court Limited

Annual Report and Financial Statements

31 December 2022

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De Vere Tortworth Court Limited

Annual report and financial statements 2022

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report	7
Profit and loss account	11
Statement of other comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14

De Vere Tortworth Court Limited

Annual report and financial statements 2022

Officers and professional advisers

Directors

J A Burrell
A A Corlett
L K Nicol Donaldson

Registered office

The Inspire
Hornbeam Square West
Harrogate
North Yorkshire
HG2 8PA

Bankers

Barclays Bank plc

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

De Vere Tortworth Court Limited

Strategic Report

Principal Activities of the Company

The principal activity of the Company is the operation of the De Vere Tortworth Court Hotel in Gloucestershire. The Company is a member of the UK Group of Companies headed by Principal Hotels Topco 1 Limited ("the Group").

Company Business Review

2022 Business Review

The Company's revenues and operating profitability increased during the year ended 31 December 2022 despite the legacy of the COVID-19 pandemic impacting on trading activity during the first two months of the year.

The Group's key measurement of effectiveness of its operations is operating profit before depreciation, variable lease payments, rent payable and exceptional or non-recurring items ("EBITDA"). The Company achieved an EBITDA of £3,448,000 (2021: £2,412,000). The Company's total profit before tax was £1,692,000 (2021: profit of £671,000).

The Company's earnings for the year have been retained and, together with the effects of capital expenditure, the new finance lease and other movements on working capital balances, this has led to an increase in year end cash balances from £548,000 to £588,000.

2023 update and outlook

The directors are cautiously optimistic about the Company and Group's trading performance, which in 2023 has seen revenue improve compared to 2022 and continues to trend back to (or above) pre COVID-19 levels.

Full details of the Group's ongoing trading prospects are given in the Group Chief Executive's Report in the group financial statements of the UK parent company Principal Hotels Topco 1 Limited, which are available to the public and can be obtained as set out in note 18.

Principal Risks and Uncertainties

Full details of the Group's principal risks and uncertainties are given in the Strategic Report of the UK parent company Principal Hotels Topco 1 Limited.

Financial risk management objectives and policies

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

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

Cash flow risk

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

Credit risk

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

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

De Vere Tortworth Court Limited

Strategic Report

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

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

Liquidity Risk

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

Price Risk

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

Going Concern basis of accounts preparation

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

The directors have considered the future trading prospects of the Group, including its detailed trading and cash flow projections, which they feel adequately reflect the current economic environment. Despite the inflationary and consumer challenges in the UK economy, the directors are cautiously optimistic about the Group's trading performance, which in 2023 has seen revenue improve compared to 2022 and continues to trend back to (or above) pre-COVID revenue levels.

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

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

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



J A Burrell
Director
25th August 2023

De Vere Tortworth Court Limited

Directors' report

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

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

The directors set out in the Strategic Report

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

Dividends

No dividends were paid during the financial year (2021: £nil). The directors do not propose to pay a final dividend (2021: £nil).

During the prior year, as part of a reorganisation of the Group structure, the Company released certain debtor balances due from fellow subsidiaries. In accordance with accounting requirements the releases are shown as a distribution in the statement of changes in equity. There were no similar reorganisations in the current year.

Political contributions

There were no donations made to political parties (2021: £nil).

Directors

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

J A Burrell
A A Corlett
L K Nicol Donaldson

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

Disclosure of relevant information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

De Vere Tortworth Court Limited

Directors' report

Post balance sheet events

There have been no material events since the balance sheet date.

Auditor

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

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



J A Burrell
Director
25th August 2023

De Vere Tortworth Court Limited

Directors' Responsibilities Statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make 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 Company will continue in business.

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

Independent auditor's report to the members of De Vere Tortworth Court Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of De Vere Tortworth Court Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Independent auditor's report to the members of De Vere Tortworth Court Limited (continued)

Other information

The other information comprises the information included in the Strategic Report and Director's Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Strategic Report and Director's Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of De Vere Tortworth Court Limited (continued)

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

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

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

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

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

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

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

- Classification of balances within exceptional costs may be inappropriate. We have selected a sample of expenses, which we agreed to supporting evidence and assessed whether they have or have not been correctly classified as exceptional. Further we have reviewed the internal controls over the classification of exceptional items and determined if the controls have been implemented correctly.
- Expenditure may have been inappropriately capitalised in the year that should instead have been recorded through the profit and loss and in the case of the refurbishments, there is also a risk that the assets which are being replaced are not properly disposed of. We have selected a sample of fixed asset additions and agreed to supporting evidence and assessed whether they have been capitalised in line with IAS 16. Further we have reviewed the internal controls over the capitalisation of expenditure and determined if the controls have been implemented correctly.

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

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

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

Independent auditor's report to the members of De Vere Tortworth Court Limited
(continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



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

25th August 2023

De Vere Tortworth Court Limited

Profit and Loss Account Year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	3	11,504	7,327
Cost of sales		(5,297)	(3,563)
Gross profit		6,207	3,764
Other operating income	4	6	337
Administrative expenses		(4,012)	(2,921)
Operating profit / (loss) before depreciation and amortisation and exceptional or non-recurring items ("EBITDA")		3,448	2,412
Depreciation and amortisation		(1,247)	(1,232)
Operating profit		2,201	1,180
Operating profit		2,201	1,180
Interest payable	6	(509)	(509)
Profit before tax	7	1,692	671
Tax	8	(127)	(162)
Profit for the financial year		1,565	509

All amounts relate to continuing activities.

Statement of Other Comprehensive Income Year ended 31 December 2022

For the years ended 31 December 2022 and 31 December 2021 the Company had no transactions that would fall to be disclosed in a Statement of Other Comprehensive Income other than the net profit or loss for the financial year reported in the Profit and Loss Account above.

De Vere Tortworth Court Limited

Balance sheet 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	9	14,306	13,482
Total fixed assets		14,306	13,482
Current assets			
Stocks		59	77
Debtors	10	17,853	16,536
Cash at bank and in hand		588	548
Total current assets		18,500	17,161
Creditors: amounts falling due within one year	11	(2,348)	(1,873)
Net current assets		16,152	15,288
Total assets less current liabilities		30,458	28,770
Creditors: amounts falling due after more than one year	12	(18,051)	(18,055)
Provisions for liabilities	14	(1,496)	(1,369)
Net assets		10,911	9,346
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account		10,911	9,346
Equity shareholders' funds		10,911	9,346

The financial statements of De Vere Tortworth Court Limited, company number 3745617, have been approved and authorised for issue by the Board of Directors.



Signed on behalf of the Board of Directors

J A Burrell, Director

25th August 2023

De Vere Tortworth Court Limited

Statement of changes in equity 31 December 2022

	Note	Called up share capital (note 15) £'000	Profit and loss account £'000	Total £'000
At 1 January 2021		26,984	2,268	29,252
Reduction of share capital		(26,984)	26,984	-
Release of debtors owed by fellow group companies	10	-	(20,415)	(20,415)
Profit for the financial year		-	509	509
At 31 December 2021		-	9,346	9,346
Profit for the financial year		-	1,565	1,565
At 31 December 2022		-	10,911	10,911

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

1. ACCOUNTING POLICIES

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

Basis of accounting

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

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

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

As permitted by FRS 101, the Company, as a qualifying company, has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Principal Hotels Topco 1 Limited, which are available to the public and can be obtained as set out in note 18.

Going Concern

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

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

1. ACCOUNTING POLICIES (*continued*)

Adoption of new and revised standards

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

Impairment of tangible assets

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

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

Tangible fixed assets

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

Leasehold land and buildings	the unexpired portion of the lease
Plant and equipment	3 to 10 years as appropriate to the asset
Working replacements	3 years

Working replacements are included within the plant and equipment costs in the notes to the financial statements.

Stocks

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

Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

De Vere Tortworth Court Limited

Notes to the financial statements

Year ended 31 December 2022

1. ACCOUNTING POLICIES (*continued*)

Tax

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

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

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

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

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

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

Revenue Recognition

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

Revenue of the Company comprises the following streams:

Sale of goods

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

Rendering of services

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

Government Grants

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

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

1. ACCOUNTING POLICIES (*continued*)

Leases

When the Company transfers an asset to another entity and leases that asset back the Company applies the requirements of IFRS 15 *Revenue from Contracts with Customers* to determine whether a sale of the asset has occurred.

Where the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset the Company continues to recognise the asset and recognises a financial liability equal to the transfer proceeds. The financial liability is subsequently accounted for by applying IFRS 9 *Financial Instruments*.

Pension costs

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

Non GAAP performance measure

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

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

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

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

1. ACCOUNTING POLICIES (*continued*)

Financial instruments

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

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

Financial assets

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

Classification of financial assets

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

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

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

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

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

Impairment of financial assets

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

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

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

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

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

1. ACCOUNTING POLICIES (*continued*)

(i) Significant increase in credit risk

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

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

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

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

(ii) Credit-impaired financial assets

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

(iii) Write-off policy

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

(iv) Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

Financial liabilities and equity Classification as debt or equity

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

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

1. ACCOUNTING POLICIES (*continued*)

Equity instruments

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

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

Corporation tax and deferred tax

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

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

No provision for corporation tax has been made at the balance sheet date. The amounts both provided and not provided in respect of deferred tax at the balance sheet date are set out in note 14.

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

3. TURNOVER

	2022 £'000	2021 £'000
An analysis of the Company's turnover, all of which arose in the UK and relates to continuing operations and a single business segment, is as follows:		
Sales of goods	4,819	3,156
Rendering of services	6,685	4,171
Total turnover	<u>11,504</u>	<u>7,327</u>

4. OTHER OPERATING INCOME

	2022 £'000	2021 £'000
Government grants – job retention scheme	-	312
Government grants – local restriction support grants	6	25
Total other operating income	<u>6</u>	<u>337</u>

5. STAFF COSTS

	2022	2021
The average monthly number of employees during the year was:		
Administration	12	8
Sales	2	1
Operational	167	100
Total employees	<u>181</u>	<u>109</u>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	3,208	2,106
Social security costs	243	155
Pension costs	53	41
Total remuneration	<u>3,504</u>	<u>2,302</u>

The directors received no remuneration in respect of services to the Company during the year (2021: £nil). The directors are employed by Principal Hayley Limited, a fellow Group company, and it is not practicable to allocate a proportion of their costs to the Company.

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

6. INTEREST PAYABLE

	2022 £'000	2021 £'000
Sale and leaseback liabilities	509	509
Total interest payable	509	509

7. PROFIT BEFORE TAX

	2022 £'000	2021 £'000
Profit before tax is stated after charging / (crediting):		
Depreciation – owned assets	1,190	1,175
Depreciation – assets subject to sale and leaseback arrangements	57	57
Cost of inventories recognised as an expense	1,316	805
Auditor's remuneration - audit of the Company's financial statements	16	2
Fees payable to the Company's auditors for other services	-	-
Government grants – job retention scheme (note 4)	-	(312)
Government grants – local restriction support grants (note 4)	(6)	(25)

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

8. TAX

	2022 £'000	2021 £'000
The tax charge for the year comprises:		
Current tax		
UK corporation tax on the profit / (loss) for the year	-	-
Adjustments in respect of prior periods	-	-
Total current tax charge / (credit)	-	-
Deferred tax		
Total deferred tax charge	127	162
Total tax charge for the year	127	162

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

	2022 £'000	2021 £'000
Profit before tax	1,692	671
Tax at standard UK rate of 19.0% (2021: 19.0%)	321	128
Effects of:		
Expenses not deductible for tax purposes	37	33
Income not taxable	(78)	-
Other amounts chargeable for tax purposes	29	184
Group relief surrendered for nil consideration	(213)	(511)
Change in tax rates	31	328
Total tax charge for the year	127	162

Under Finance Act 2021 enacted on 10 June 2021, the Corporation Tax rate for the 12 months from 1 January 2022 remains at 19% but will increase to 25% as the planned main rate of corporation tax from 1 April 2023. The deferred tax balances are calculated using the rates at which each temporary difference is expected to reverse.

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

9. TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2022	13,000	9,685	22,685
Additions	-	2,071	2,071
Disposals	-	(1,470)	(1,470)
At 31 December 2022	13,000	10,286	23,286
Accumulated depreciation			
At 1 January 2022	3,085	6,118	9,203
Charge for the year	57	1,190	1,247
Disposals	-	(1,470)	(1,470)
At 31 December 2022	3,142	5,838	8,980
Net book value			
At 31 December 2022	9,858	4,448	14,306
At 31 December 2021	9,915	3,567	13,482

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

10. DEBTORS

	2022 £'000	2021 £'000
Trade debtors	235	120
Amounts owed by subsidiaries of the ultimate parent company	17,465	16,328
Prepayments and accrued income	152	80
Other debtors	1	8
Total debtors	17,853	16,536

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

In the prior year, amounts owed by and to other subsidiaries of the group were reorganised, resulting in the movement in balances due to and from the Company. In accordance with accounting requirements the releases are shown in the statement of changes in equity. There were no similar reorganisations in the current year.

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Trade creditors	200	162
Accruals and deferred income	1,784	1,432
Tax and social security	178	157
Other creditors	181	118
Sale and leaseback liabilities (note 13)	5	4
Total creditors falling due within one year	<u>2,348</u>	<u>1,873</u>

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

	2022 £'000	2021 £'000
Sale and leaseback liabilities (note 13)	18,051	18,055
Total creditors falling due after more than one year	<u>18,051</u>	<u>18,055</u>

13. SALE AND LEASEBACK LIABILITIES

	2022 £'000	2021 £'000
Amounts repayable		
Within one year	5	4
In the second to fifth year inclusive	18	18
After five years	18,033	18,037
Total	<u>18,056</u>	<u>18,059</u>
Analysed as:		
Amounts due for repayment within 1 year (note 11)	5	4
Amounts due for repayment after more than 1 year (note 12)	18,051	18,055
Total	<u>18,056</u>	<u>18,059</u>

The Company has entered into a 175 year sale and leaseback arrangement until October 2193 in respect of its investment property with contractual payment reviews occurring every 5 years. During each such 5 year period the annual payment amount is increased annually on a memorandum basis which is upward only and is based on the prevailing rate of inflation subject to a maximum annual uplift of 5%. After 5 years the resulting memorandum annual payment amount becomes the actual annual payment amount for the subsequent 5 year period. No such 5 yearly contractual payment reviews occurred during the year.

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

14. DEFERRED TAX

Deferred tax is provided as follows:

	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
(Asset) / liability at 1 January 2021	1,207	-	1,207
Charged / (credited) to the profit and loss account	162	-	162
(Asset) / liability at 31 December 2021	1,369	-	1,369
Charged / (credited) to the profit and loss account	127	-	127
(Asset) / liability at 31 December 2022	1,496	-	1,496

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

	2022 £'000	2021 £'000
Deferred tax liabilities	1,496	1,369
Deferred tax assets	-	-
Total deferred tax	1,496	1,369

The Company has no unprovided deferred tax assets (2021: £nil).

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

15. CALLED UP SHARE CAPITAL

	2022 £'000	2021 £'000
Allotted, called up and fully paid:		
1 A ordinary shares of £0.01 each	-	-
1 B ordinary shares of £0.01 each	-	-
Total share capital	-	-

The voting, dividend and distribution rights are the same for all classes of share.

On 12 November 2021 the Company reduced each class of its share capital to 1 share by special resolution.

De Vere Tortworth Court Limited

Notes to the financial statements Year ended 31 December 2022

16. RELATED PARTY TRANSACTIONS

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

17. GUARANTEES AND CONTINGENT LIABILITIES

The Company, together with certain other fellow Group companies, has given guarantees to a maximum of £198.3 million (2021 - £208.5 million) over the UK borrowings of Principal Hotels Topco 3 Limited a fellow Group company. At 31 December 2022 the borrowings outstanding covered by this guarantee totalled £198.3 million (2021 - £208.5 million).

18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

The Company's immediate controlling party is Spire Bidco Hotels Limited which has the same Registered Office as the Company.