THE CAVENDISH HOTEL (LONDON) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Registered number 05926753

THE CAVENDISH HOTEL (LONDON) LIMITED

COMPANY INFORMATION

Directors

Marie-Isabelle Aw (resigned 30 August 2019)
Kian Tiong Alfred Ong (resigned 15 July 2019)
Eric Julien Adrien Fombonne
Ngok Wai Lee (appointed 15 July 2019)
Benjamin Haworth (appointed 30 August 2019)

Company Number

05926753

Registered office

The Broadgate Tower
Third Floor
20 Primrose Street
London EC2A 2RS

Auditors

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

THE CAVENDISH HOTEL (LONDON) LIMITED

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THE CAVENDISH HOTEL (LONDON) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal activities

The principal activity of the company is operating The Cavendish Hotel in central London.

Business review

For the year ended 31 December 2019 the gross profit was £12,619,000 (2018: £11,204,000). The profit before tax amounted to £4,465,000, an increase of £1,540,000 over the previous year profit of £2,925,000.

Financial risk management policies and objectives

The company is financed by a bank loan from OCBC Bank and it is required to meet all terms and conditions set out in the loan agreement.

The loan contains a loan to value covenant limit of 70% and an EBITDA interest cover covenant of 1.25 times. During the year ended and as at 31 December 2019 the company was in compliance with these covenants.

On 12 June 2020 OCBC Bank granted a temporary suspension of interest cover and loan to value covenant testing for the period 1 January 2020 to 30 June 2021 in light of the adverse impact on trading of the Coronavirus pandemic.

The directors are confident that the company has sufficient resources, including access to support from its parent company if required, to enable it to continue to meet its liabilities as they fall due, including payment of interest to OCBC Bank.

Credit risk

The company is exposed to credit risk from corporate clients who are granted credit terms when using the hotel for accommodation and conference facilities. The company mitigates this risk by undertaking credit checks on potential trading partners and by avoiding any significant concentration of exposure to individual parties.

Future developments

As with the majority of businesses, particularly those in the hospitality sector, the company has been severely impacted by the Coronavirus pandemic and the government imposed lockdown that commenced in March 2020. At the date of approval of these financial statements, the Cavendish Hotel London had reopened after being temporarily closed for four months in accordance with government guidance. The directors have implemented a significant cost reduction plan during the closure and the company is benefiting from various government measures to assist businesses during the pandemic. As a result, the directors are confident that the company is well placed to ride out the current challenging period and steadily regain occupancy and revenue in the second half of 2020 as government restrictions are relaxed.

The directors also continue to monitor developments around the United Kingdom's decision to leave the European Union to ensure that the company is able to mitigate any adverse consequences of this change whilst remaining poised to exploit any opportunities that may arise.

By order of the board

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Benjamin Haworth
Director

Approved by board of directors on: 16/09/2020.

THE CAVENDISH HOTEL (LONDON) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities
The principal activity of the Group is disclosed in the Strategic Report on page 4.

Directors
The directors who held office during the year to 31 December 2019 and up to the date of signature of the financial statements were as follows:

Marie-Isabelle Aw (resigned 30 August 2019)
Kian Tiong Alfred Ong (resigned 15 July 2019)
Eric Julien Adrien Fombonne
Ngok Wai Lee (appointed 15 July 2019)
Benjamin Haworth (appointed 30 August 2019)

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

Results and dividends
On 25 March 2019, after due and careful consideration, it was resolved to pay an interim dividend of £1,000,000 to Ascott St James (Jersey) Limited, the single Member of the Company. On 1 November 2019, after due and careful consideration, it was resolved to pay a further interim dividend of £1,000,000 to Ascott St James (Jersey) Limited, the single Member of the Company (2018: £2,500,000).

Company secretary's details
Reed Smith Corporate Services Limited
The Broadgate Tower
Third Floor
20 Primrose Street
London EC2A 2RS

Registered Office
The Broadgate Tower
Third Floor
20 Primrose Street
London EC2A 2RS

Directors' remuneration
Directors' remuneration and retirement benefits are borne by other group companies.

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
Pursuant to section 487 of the Companies Act 2006, the auditor is deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

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Benjamin Haworth
Director, 16 September 2020

THE CAVENDISH HOTEL (LONDON) LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE CAVENDISH HOTEL (LONDON) LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of The Cavendish Hotel (London) Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concem basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concem period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE CAVENDISH HOTEL (LONDON) LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the prep the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities .

The purpose of our audit work and to whom we owe our responsibilities

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.

....
Henry Todd (Senior Statutory Auditor)
for behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

16 September 2020

THE CAVENDISH HOTEL (LONDON) LIMITED

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£'000	£'000
Turnover	2	16,976	15,479
Cost of sales		(4,357)	(4,275)
Gross profit		12,619	11,204
Administrative expenses	3	(6,790)	(6,442)
Other operating income		1,109	1,148
Operating profit		6,938	5,910
Net interest and similar charges	6	(2,473)	(2,985)
Profit on ordinary activities before taxation		4,465	2,925
Tax on profit on ordinary activities	7	(1,058)	(778)
Profit for the year		3,407	2,147
Other comprehensive income net of taxation			
Fair value movement on interest swap		-	171
Total comprehensive income for the year		3,407	2,318

The profit and loss and other comprehensive income statement has been prepared on the basis that all operations are continuing operations.

The notes of page 12 – 24 form part of the financial statements.

THE CAVENDISH HOTEL (LONDON) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible assets	8		110,465		109,780
Current assets					
Stock	9	25		22	
Debtors	10	1,213		1,235	
Cash at bank and in hand		3,792		4,483	
		5,030		5,740	
Creditors					
Amounts falling due within one year	11	(3,466)		(3,468)	
Net current assets			1,564		2,272
Total assets less current liabilities			112,029		112,052
Creditors					
Amounts falling due after more than one year	11		(109,495)		(110,925)
Net assets			**2,534**		**1,127**
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account			2,534		1,127
Shareholders' funds			**2,534**		**1,127**

The notes on pages 12 – 24 form part of the financial statements.

The financial statements were approved by the board of directors on: 16/09/2020.

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Benjamin Haworth
Director

Company number 05926753

THE CAVENDISH HOTEL (LONDON) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Hedging fair value reserve	Profit and loss account	Total Shareholders' funds
	£'000	£'000	£'000	£'000
At 1 January 2018	-	(171)	1,480	1,309
Profit for the year	-	-	2,147	2,147
Dividends	-	-	(2,500)	(2,500)
Change in fair value of financial derivatives	-	171	-	171
Balance as at 31 December 2018	-	-	1,127	1,127
At 1 January 2019	-	-	1,127	1,127
Profit for the year	-	-	3,407	3,407
Dividends	-	-	(2,000)	(2,000)
Balance as at 31 December 2019	-	-	2,534	2,534

The notes on pages 12 - 24 form part of the financial statements.

1 Summary of significant accounting policies

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The presentation currency of these financial statements is sterling. The financial statements have been prepared under the historical cost convention. The financial statements are presented in Sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000 unless specified otherwise.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006.

Reduced disclosures

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the Group accounts of the ultimate controlling party, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Revenue disclosures, including:
  - Disaggregated and total revenue from contracts with customers;
  - Explanation of significant changes in contract assets and liabilities;
  - Description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred;
  - Aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised;
  - Significant judgements in determining the amount and timing of revenue recognition and the amount of capitalised costs to obtain or fulfil a contract;
  - Methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations and determine amortisation of capitalised cost to obtain or fulfil a contract;
- Financial instrument disclosures, including:
  - Carrying amounts and fair values of financial instruments by category and information about the nature and extent of risks arising on financial instruments;
  - Income, expenses, gains and losses on financial instruments;
  - Information about financial instruments that have been reclassified, derecognised, transferred or offset;
  - Details of credit losses, collateral, loan defaults or breaches;
- Comparative narrative information that continues to be relevant to the current period;
- Comparative period reconciliations for the carrying amounts of property, plant and equipment;
- Disclosure of key management personnel compensation, and amounts incurred for the provision of key management personnel services by a separate management entity;
- Related party disclosures for transactions with the parent or wholly owned members of the group; and
- Disclosure of the objectives, policies and processes for managing capital;

1 Summary of significant accounting policies (continued)

The financial statements of the company are consolidated into the IFRS financial statements of CapitaLand Limited. Copies of the IFRS group accounts of CapitaLand Limited can be obtained from 168 Robinson Road #30-01 Capital Tower Singapore 068912.

Going concern

The company recorded a profit after tax of £3,407,000 for the year ended 31 December 2019 (2018: £2,147,000) and had net current assets of £1,564,000 as at 31 December 2019 (2018: £2,272,000). Net assets were £2,534,000 (2018: £1,127,000). However, since the year end, the company has been adversely affected by the Corona virus pandemic which led to the temporary closure of the Cavendish Hotel. As at the date of approval of these financial statements, the hotel has reopened but is operating with a reduced occupancy rate.

In light of these exceptional circumstances, the directors have implemented a significant cost reduction plan and taken advantage of various government support measures made available to businesses. With these measures in place and with the benefit of the cash reserves held by the business along with the availability of support from the company's ultimate parent company, the directors consider the company has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of these financial statements. The directors have reviewed cashflow forecasts under various scenarios and expect that even in the event of severe but plausible downsides to the central forecast, this assumption remains valid.

Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover, which excludes value added tax, comprises the company's income from the operation of its hotel. This arises primarily from the letting of room and suite accommodation and the service of food and drink. Revenue is recognised on the daily occupation of accommodation and once a service has been rendered.

Tangible fixed assets

Tangible fixed assets are held at historical cost including the costs attributable to bringing the asset to its working condition and less accumulated depreciation on a straight line basis as follows:

Long leasehold buildings - shorter of the lease term and 150 years
Fixtures, fittings and equipment - 4 to 7 years

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

Stocks

Stocks are valued at the lower of cost, and net realisable value on a FIFO basis. Provision is made for obsolete, slow moving and defective stock.

Leased assets

The company has adopted IFRS 16 Leases for the first time in these financial statements using the modified retrospective approach. Under this approach, comparative values have not been restated. Further information about the impact of IFRS 16 is set out below.

1 Summary of significant accounting policies (continued)

Leased assets (continued)

The company as a lessee

For any new contracts entered into on or after 1 January 2019, the Group 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'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Company has the right to direct the use of the identified asset throughout the period of use.
- The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
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 Company'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. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the balance sheet, right-of-use assets have been included in tangible assets and lease liabilities have been included in creditors.

1 Summary of significant accounting policies (continued)

Leased assets (continued)

The Company as a lessor

The Company's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Other operating income

Other operating income represents income from shop rentals, mobile phone mast rentals, garage rentals and the provision of other services to customers. The income is recognised on an accruals basis, in accordance with the relevant agreements.

Financial instruments

Recognition of financial instruments
Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Initial and subsequent measurement of financial assets

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the company with maturities of less than three months.

Trade, intercompany and other debtors
Trade debtors are initially measured at their transaction price. Intercompany and other debtors are initially measured at fair value plus transaction costs.

Debtors that are held to collect the contractual cash flows which are solely payments of principal and interest are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Trade debtors
For trade debtors, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the debtor. The risk of a default occurring always takes into consideration all possible default events over the expected life of those debtors ("the lifetime expected credit losses").

1 Summary of significant accounting policies (continued)

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Initial and subsequent measurement of financial liabilities
Trade, intercompany and other creditors
Trade, intercompany and other creditors are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Bank borrowings
Interest-bearing bank loans are initially measured at fair value, net of direct transaction costs and are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the term of the loan using an effective rate of interest.

Equity instruments
Equity instruments issued by the company are recorded at fair value on initial recognition net of transaction costs.

Derecognition of financial assets (including write-offs) and financial liabilities
A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party. When there is no reasonable expectation of recovering a financial asset, it is derecognised ('written off'). The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.
A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

Taxation
The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required.

Pension costs
Contributions are made to the personal plans of certain employees. The expenditure is charged to the profit and loss account in the period to which it relates.

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

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of such instruments are recognised immediately in profit or loss and are included in other gains/(losses).

1 Summary of significant accounting policies (continued)

Hedging
The normal course of the Company's business exposes it to currency and interest rate risks. In order to hedge these risks in accordance with the Board's written treasury policies, the Company uses derivatives and other hedging instruments.
The Company uses hedge accounting only when the following conditions at the inception of the hedge are satisfied:
• The hedging instrument and the hedged item are clearly identified
• Formal designation and documentation of the hedging relationship is in place. Such hedge documentation includes the hedge strategy and the method used to assess the hedge's effectiveness; and
• The hedge relationship is expected to be highly effective throughout the life of the hedge.
The above documentation is subsequently updated at each reporting date in order to assess whether the hedge is still expected to be highly effective over its remaining life.

Cash flow hedge
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised (net of tax) in other comprehensive income and accumulated under the hedging reserve, and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. No adjustment is made to the hedged item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in equity are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a

Cash flow hedge (continued)
firm commitment for which fair value hedge accounting is applied, then the Group removes the associated gains and losses that were accumulated in equity and includes them in the initial cost or other carrying amount of the asset or liability (basis adjustment).

Critical accounting judgements and key sources of estimation uncertainty
The preparation of the Financial Statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are considered to be relevant.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected.

Key judgements affecting these financial statement relate to the carrying value of land and buildings. The directors obtain professional valuations of the assets at each balance sheet date to ensure that there is no impairment of the carrying amount of these assets.

Initially, hedge transactions are complex in nature and can be material to the financial statements. The directors consider each transaction separately and, when considered appropriate, seek independent accounting advice. The carrying value of the Company's derivative financial liabilities is the main area of estimation uncertainty. The Company obtains external advice on valuations.

1 Summary of significant accounting policies (continued)

New accounting standards

The Group has adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1

January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straightline basis over the remaining lease term. For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.2%. The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

2 Turnover

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

	2019 £'000	2018 £'000
Revenue by segment		
Room revenue	15,331	13,966
Food and beverage revenue	1,600	1,476
Other revenue	45	37
	16,976	15,479

All revenue generated by the company is attributable to the United Kingdom.

3 Analysis of expenses by nature

	2019 £'000	2018 £'000
Employee remuneration (note 4)	2,096	2,149
Depreciation of property, plant and equipment	1,102	1,255
Other expenses		
Operating lease expenses	3	28
Fees payable to auditor	21	23

There were no non-audit fees payable to the company auditor (2018: £Nil).

4 Employees

The average number of persons employed by the company (excluding executive directors) during the year is analysed below:

	2019 Number	2018 Number
Operations	65	61
Sales & Marketing	2	3
Maintenance	6	6
Administration	4	8
	77	78

4 Employees (continued)

The aggregate payroll costs of these persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	1,871	1,911
Social security contributions	166	188
Pension costs – defined contribution plans	59	50
	2,096	2,149

5 Directors' remuneration

All current directors' remuneration is paid by other group companies for their services as a whole and no specific allocation of their remuneration has been made in respect of this company.

6 Net interest payable and similar charges

	2019 £'000	2018 £'000
Finance costs		
Interest payable on bank loans	(2,156)	(2,456)
Interest payable on loans from related parties	(186)	(250)
Amortisation of bank loan arrangement fee	(81)	(281)
Interest payable on lease liabilities	(50)	-
	(2,473)	(2,987)
Finance income		
Bank interest receivable	-	2
Net interest and similar charges	(2,473)	(2,985)

Net interest cost represent interest expense on financial liabilities and interest income on financial assets that are measured at amortised cost.

7 Taxation on profit on ordinary activities

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the current period	1,058	778
Total current tax	1,058	778
Total tax charge for the period	1,058	778

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	4,465	2,925
Expected tax charge based on the standard rate of corporation tax in the UK:	19%	19%
Profit multiplied by the standard rate of corporation tax	848	556
Tax effects of:		
Expenses not deductible for tax purposes	211	258
Capital allowances	(55)	(45)
Unrecognised tax losses	-	(16)
Provisions allowable when realised	(80)	44
Other adjustments	134	(19)
Income tax for the period	1,058	778

Factors that affect future tax charges

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

8 Tangible fixed assets

	Long leasehold buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2019	124,271	6,233	130,504
Adjustment on transition to IFRS 16	1,614	-	1,614
Additions	-	173	173
At 31 December 2019	125,885	6,406	132,291
Accumulated depreciation			
At 1 January 2019	(15,943)	(4,781)	(20,724)
Depreciation charge	(776)	(326)	(1,102)
At 31 December 2019	(16,719)	(5,107)	(21,826)
Net book value			
At 31 December 2019	109,166	1,299	110,465
At 1 January 2019	108,328	1,452	109,780

OCBC Bank holds a mortgage over the long leasehold buildings and a floating charge over fixtures, fittings and equipment, in connection with term loan facilities granted to the company.

Included in the carrying amount of long leasehold buildings are right of use assets with a net book value of £1,603,000 (2018: £Nil).

9 Stocks

	2019 £'000	2018 £'000
Raw materials and consumables	13	11
Finished goods and goods for resale	12	11
	25	22

10 Trade and other receivables

Amounts falling due within one year	2019 £'000	2018 £'000
Trade debtors	475	488
Prepayments	580	607
Amounts due from related parties	158	140
Total	1,213	1,235

Trade debtors are stated net of a provision of £92,000 (2018: £Nil) against amounts due from Superbreak Mini-Holidays Limited, which was placed into administration during the year.

11 Creditors

Amounts falling due within one year	2019 £'000	2018 £'000
Trade creditors	321	223
Taxes and social security charges	887	1,058
Accruals and deferred income	1,615	1,921
Contract liabilities	159	266
Amounts due to related parties	459	-
Lease liability	25	-
	3,466	3,468

Amounts falling due after more than one year	2019 £'000	2018 £'000
External bank loan	102,971	102,925
Amount owing to group undertaking	4,908	8,000
Lease liability	1,616	-
	109,495	110,925

At the balance sheet date, the Company had bank loans and loans due to group undertakings totalling £108,128,000 (2018: £111,220,000). The details of these loans are set out in the tables above. External bank loans comprise a revolving credit facility of £20m and a 5 year term loan facility of £83.2m both with a margin of 1.25% over LIBOR. The balance of the external bank loan above is shown net of loan arrangement fees of £0.3m which are being amortised over the term of the loan. The Company complied with all loan covenants throughout the period and has been granted a covenant waiver in June 2020 as set out in the strategic report.

The Company has not, at the date of this report, entered into any hedging arrangement for the new loan facilities. This position is the subject of ongoing review by the Directors.

OCBC Bank has been granted a mortgage over long leasehold buildings as well as an all assets debenture and charge over the company's bank accounts in relation to the loans outstanding.

12 Reserves

Profit and loss reserve
Cumulative profit and loss net of distribution to owners

Called up share capital

	2019 £'000	2018 £'000
Allotted, issued and fully paid:		
1 ordinary share of £1 each	-	-

13 Lease commitments

Lessor

At the balance sheet date the company had contracted with tenants for the following future minimum annual lease payments which expire:

	2019	2018
	£'000	£'000
Within 1 year	366	30
Between 2 and 5 years	277	613
After 5 years	28	28
	671	671

The leases relate to retail units and mobile telephone installations at the Cavendish Hotel.

14 Pensions

The company has established personal pension schemes approved under the stakeholder pension rules. The contributions made by the company for the year amounted to £59,000 (2018: £50,000). The value of pension costs outstanding at the year-end was £12,000 (2018: £8,000).

15 Controlling parties

The company is a wholly owned subsidiary of Ascott St James (Jersey) Limited, a company incorporated in Jersey. The smallest group in which the results of the company are consolidated is that headed by the Ascott Limited, a company incorporated in Singapore. Accounts can be obtained from The Ascott Limited, 168 Robinson Road #30-01 Capital Tower Singapore 068912.
The largest group in which the results of the company are consolidated is that headed by CapitaLand Limited. Copies of the group accounts of CapitaLand Limited can be obtained from 168 Robinson Road #30-01 Capital Tower Singapore 068912.

16 Subsequent events

As noted elsewhere in these financial statements, the Company has been impacted by the Covid-19 pandemic in the period since the balance sheet date. This event is considered a non-adjusting event. Refer to the Strategic Report and Note 1 to these financial statements for further information on the impact of the pandemic on the Company.