

THE CAVENDISH HOTEL (LONDON) LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2020**

Registered number 05926753

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THE CAVENDISH HOTEL (LONDON) LIMITED

COMPANY INFORMATION

Directors

Ngok Wai Lee
Benjamin Haworth
Eric Julien Adrien Fombonne (resigned 31 March 2021)
Frederic Carre (appointed 31 March 2021)

Company Number

05926753

Registered office

7-21 Goswell Road
London
EC1M 7AH

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 2020

Principal activities

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

Business review

For the year ended 31 December 2020 the gross profit was £1,536,000 (2019: £12,619,000). The loss before tax amounted to £2,137,000 (2019: Profit £4,465,000). The change in the company's performance is the result of the Covid-19 pandemic which led to the temporary closure of The Cavendish Hotel for 5 months of the year in line with government restrictions. During the year, the company signed an agreement for the sale of internally generated intellectual property related to the hotel name and branding to a related company for £1,200,000, which the directors considered to be the market value, based on an independent expert valuation.

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 2020 the company did not achieve the interest cover threshold of 1.25 times due to the impact of the Covid-19 pandemic, however 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. As a result, no active covenant was breached during the year ended 31 December 2020. The current loan facilities expire in May 2023.

The operations of the Cavendish Hotel London continued to be impacted by the Covid-19 pandemic throughout 2021 and in the early part of 2022. As a result, the directors commenced negotiations with OCBC Bank for a further extension of covenant waivers. On 31 December 2021, an agreement was signed to extend the waiver of the interest cover covenant until 31 March 2022. In return for this waiver, The Ascott Holdings Limited, an intermediate parent of the company, entered into a deed of undertaking whereby it has pledged to provide additional security by way of cash on deposit or bank guarantees to cover any shortfall in either loan to value or interest cover covenants. The next testing period for the interest cover covenant will be the quarter ended 30 June 2022, to be tested by 30 September 2022. The unaudited management accounts for the period indicate that the covenant was met for this period. Our central forecasts indicate that the covenants will continue to be met in the period up to 31 December 2023, although there are risks and uncertainties which may cause a deviation from this central forecast which the directors continue to monitor. Further information on these risk is included in Note 1 to these financial statements.

As the impact of the Covid-19 pandemic and in particular the extent of restrictions on travel and the hospitality industry have gradually eased throughout 2021 and into 2022, the performance of the Cavendish Hotel London has improved. At the date of signing these financial statements, the unaudited preliminary results of the company for the year ended 31 December 2021 indicate that the interest cover covenant will not in fact be breached for that period. Similarly, an independent valuation report indicates that the loan to value covenant will also not be breached. At the time of signing these financial statements, the directors anticipate no further covenant breaches and thus no further waiver will be required beyond 31 March 2022.

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. The Directors intend and expect to be able to refinance the maturing bank loans, which at the balance sheet date amounted to £103m, in May 2023. The Ascott Limited has provided a letter of support that extends to providing assistance that may be required to support the refinancing or, in the event that refinancing cannot be secured, to make available sufficient funds as shareholder loans or equity injections to enable repayment of the bank loans on or before their maturity date.

THE CAVENDISH HOTEL (LONDON) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern

As with the majority of businesses, particularly those in the hospitality sector, the company has been severely impacted by the Coronavirus pandemic and the various government imposed lockdowns since March 2020. The hotel owned and operated by the company was closed for part of 2020 and again in early 2021, and at other times has operated with significantly reduced occupancy and revenue. This is the key driver behind the change in financial performance of the company when compared to previous periods. Despite the adverse trading performance, the company maintained sufficient cash reserves throughout the period impacted by the pandemic and has further strengthened its cash position as trading has recovered in the period since Covid restrictions were lifted in early 2021. The directors' forecasts for the business indicate that the cash position will remain strong, even taking account of severe but plausible downside risks to operating performance related to the current economic and political environment including the war in Ukraine, high inflation, particularly in relation to energy, rising interest rates and the widely anticipated recession in the UK.

At the time of issuing these financial statements, the Cavendish Hotel London is enjoying a strong revival in performance, with occupancy in excess of 80% and average daily rates exceeding 2019 pre Covid-19 levels, significantly ahead of budgeted levels for 2022.

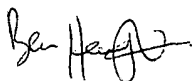
Credit risk

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 has been continuously open for 17 months after being temporarily closed for two separate periods in 2020 and 2021, in accordance with government guidance. The directors have implemented a significant cost reduction plan during the closures and the company has benefited from various government measures to assist businesses during the pandemic. As restrictions on travel and the hospitality industry have eased throughout the second half of 2021 and into 2022, the performance of the Cavendish Hotel London has significantly improved to the extent that it has returned to profitability in the 6 months ended 31 December 2021 and is currently operating close to pre-pandemic levels at the date of approval of these financial statements. Although the risk of further disruption related to the Covid-19 pandemic appear to be receding, the directors are mindful of other risks to the performance of the business in particular in relation to the global challenges presented by the conflict in Ukraine, rising inflation, energy prices and interest rates, the full effects of which cannot yet be estimated.

By order of the board



.....
Benjamin Haworth
Director

Approved by board of directors on: 23 September 2022

THE CAVENDISH HOTEL (LONDON) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Group is disclosed in the Strategic Report on page 1.

Directors

The directors who held office during the year to 31 December 2020 and up to the date of signature of the financial statements were as follows:

Ngok Wai Lee
Benjamin Haworth
Eric Julien Adrien Fombonne (resigned 31 March 2021)
Frederic Carre (appointed 31 March 2021)

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

The loss for the year was £1,999,000 (2019: Profit £3,407,000). No dividends were declared in the year (2019: £2,000,000).

Company secretary's details

Reed Smith Corporate Services Limited
The Broadgate Tower
Third Floor
20 Primrose Street
London EC2A 2RS

Registered Office

7-21 Goswell Road
London
EC1M 7AH

Directors' remuneration

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

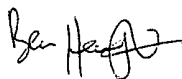
Disclosure of information to auditor

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



Benjamin Haworth
Director

THE CAVENDISH HOTEL (LONDON) LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020

Opinion

We have audited the financial statements of The Cavendish Hotel (London) Limited ("the company") for the year ended 31 December 2020 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 2020 and of its loss 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 concern 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 concern period").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes;
- Considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

FOR THE YEAR ENDED 31 DECEMBER 2020

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post-closing entries.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and other management and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection and certain aspects of company legislation recognising the nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws or regulation.

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

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

FOR THE YEAR ENDED 31 DECEMBER 2020

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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 4, the directors are responsible for: the preparation of 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.

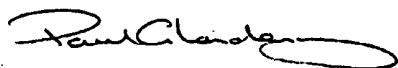
Auditor's responsibilities

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.



Paul Glendenning (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

23 September 2022

THE CAVENDISH HOTEL (LONDON) LIMITED

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	£'000	£'000
Turnover	2	3,136	16,976
Cost of sales		<u>(1,600)</u>	<u>(4,357)</u>
Gross profit		1,536	12,619
Administrative expenses	3	(3,724)	(6,790)
Other operating income	4	<u>1,969</u>	<u>1,109</u>
Operating (loss) / profit		(219)	6,938
Net interest and similar charges	7	<u>(1,918)</u>	<u>(2,473)</u>
(Loss) / profit on ordinary activities before taxation		(2,137)	4,465
Tax on profit on ordinary activities	8	<u>138</u>	<u>(1,058)</u>
(Loss) / profit for the year		(1,999)	3,407
Other comprehensive income net of taxation		<u>-</u>	<u>-</u>
Total comprehensive (expenditure) / income for the year		<u>(1,999)</u>	<u>3,407</u>

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 11 – 22 form part of the financial statements.

THE CAVENDISH HOTEL (LONDON) LIMITED

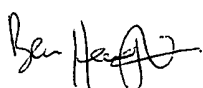
BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Tangible assets	9		109,421		110,465
Current assets					
Stock	10	8		25	
Debtors	11	897		1,213	
Cash at bank and in hand		<u>1,413</u>		<u>3,792</u>	
		2,318		5,030	
Creditors					
Amounts falling due within one year	12	(1,613)		(3,466)	
Net current assets			705		1,564
Total assets less current liabilities			<u>110,126</u>		<u>112,029</u>
Creditors					
Amounts falling due after more than one year	12		(109,591)		(109,495)
Net assets			<u>535</u>		<u>2,534</u>
Capital and reserves					
Called up share capital	13				
Profit and loss account			535		2,534
Shareholders' funds			<u>535</u>		<u>2,534</u>

The notes on pages 11 – 22 form part of the financial statements.

The financial statements were approved by the board of directors on: 23 September 2022



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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 2020

	Called up share capital £'000	Profit and loss account £'000	Total Shareholders' funds £'000
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
At 1 January 2020	-	2,534	2,534
Loss for the year	-	(1,999)	(1,999)
Balance as at 31 December 2020	-	535	535

The notes on pages 11 - 22 form part of the financial statements.

THE CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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;

THE CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 Loss after tax of £1,999,000 for the year ended 31 December 2020 (2019: profit £3,407,000) and had net current assets of £705,000 as at 31 December 2020 (2019: £1,564,000). Net assets were £535,000 (2019: £2,534,000). During the year and in the period after the balance sheet date, the company was adversely affected by the Covid-19 pandemic which led to the temporary closure of the Cavendish Hotel on two occasions. As at the date of approval of these financial statements, the hotel is open and has seen a sustained improvement in performance during the second half of 2021 and into 2022, despite a level of disruption due to the Omicron variant in December 2021 and January 2022. Performance in the second quarter of 2022 is close to pre-pandemic levels and advance booking trends are positive for the rest of the 2022. However, the global and local economic environment includes a number of challenges which the directors continue to monitor closely.

In light of the exceptional trading circumstances experienced in 2020, the directors implemented a significant cost reduction plan and took advantage of various government support measures made available to businesses.

A temporary suspension of loan covenant testing was also agreed with the company's lender, OCBC bank, until March 2022. The next testing period for the interest cover covenant will be the quarter ended 30 June 2022, to be tested by 30 September 2022. In return for this waiver The Ascott Holdings Limited, an intermediate parent of the company, entered into a deed of undertaking whereby it has pledged to provide additional security by way of cash on deposit or bank guarantees to cover any shortfall in either loan to value or interest cover covenants.

Although the current trading performance is strong and no further major disruption to the business is anticipated as a result of Covid-19, the directors have prepared cashflow forecasts for a period of 15 months to 31 December 2023, including the severe but plausible downside side scenarios outlined below:

- up to 15% reduction in revenue (whether through further lockdown or general recessionary impacts),
- SONIA interest rates of up to 5%
- Additional general inflation of up to 3% above expectations
- Energy costs with a multiple of up to 6 times 2019 levels

These forecasts show that interest cover covenants on its bank loan may be breached if all the above adverse variables are realised, however the underlying cashflow forecast indicates that the cash position will remain strong and that any covenant breach could be remedied by placing additional cash on deposit with OCBC bank. This may require calling for a modest injection of funds from The Ascott Limited, as provided for in the letter of support provided to the company.

Those forecasts are dependent on the company's intermediate parent company, The Ascott Limited not seeking repayment of the amounts currently due to the group, which at 31 December 2021 amounted to £5.1m. The Ascott Limited has indicated that it does not intend to seek repayment of these amounts during the going concern assessment period.

The Directors intend and expect to be able to refinance the maturing bank loans, which at the balance sheet date amounted to £103m, in May 2023. The financial support provided by The Ascott Limited extends to providing assistance that may be required to support the refinancing or, in the event that refinancing cannot be secured, to make available sufficient funds as shareholder loans or equity injections to enable repayment of the bank loans on or before their maturity date.

THE CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Summary of significant accounting policies (continued)

Going concern (continued)

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 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 in these financial statements using the modified retrospective approach. Further information about the impact of IFRS 16 is set out below.

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 CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Summary of significant accounting policies (continued)

Leased assets (continued)

- 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.

The Company as a lessor

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.

THE CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Summary of significant accounting policies (continued)

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").

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.

THE CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Summary of significant accounting policies (continued)

Financial liabilities and equity (continued)

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).

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.

THE CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Turnover

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

	2020 £'000	2019 £'000
Revenue by segment		
Room revenue	2,819	15,331
Food and beverage revenue	310	1,600
Other revenue	7	45
	<u>3,136</u>	<u>16,976</u>

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

3 Analysis of expenses by nature

	2020 £'000	2019 £'000
Employee remuneration (note 5)	<u>1,101</u>	<u>2,096</u>
Depreciation of property, plant and equipment	<u>1,198</u>	<u>1,102</u>
Other expenses		
Operating lease expenses	3	3
Fees payable to auditor	<u>22</u>	<u>21</u>

There were no non-audit fees payable to the company auditor (2019: £Nil).

4 Other Operating Income

	2020 £'000	2019 £'000
Disposal of internally generated intangible assets	1,206	-
Car park revenue	263	371
Retail rental income	419	689
Miscellaneous income	81	49
	<u>1,969</u>	<u>1,109</u>

During the year, the company sold various intellectual property rights to another member of the group, Ascott International Management (2001) PTE Ltd, for a fair market consideration of £1,206,000 (2019: £Nil).

THE CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees

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

	2020 Number	2019 Number
Operations	47	65
Sales & Marketing	2	2
Maintenance	5	6
Administration	4	4
	<u>58</u>	<u>77</u>

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	937	1,871
Social security contributions	118	166
Pension costs – defined contribution plans	46	59
	<u>1,101</u>	<u>2,096</u>

The above costs are stated net of £498,000 received from the government Corona Virus Job Retention Scheme (2019 £Nil)

6 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.

7 Interest payable and similar charges

	2020 £'000	2019 £'000
Finance costs		
Interest payable on bank loans	1,633	2,156
Interest payable on loans from related parties	158	186
Amortisation of bank loan arrangement fee	75	81
Interest payable on lease liabilities	52	50
	<u>1,918</u>	<u>2,473</u>
Interest and similar charges	<u>1,918</u>	<u>2,473</u>

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

THE CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Taxation on profit on ordinary activities

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	-	1,058
Total current tax	-	1,058
Adjustments in relation to previous periods	(138)	-
Total tax charge for the period	(138)	1,058
	2020 £'000	2019 £'000
Profit on ordinary activities before taxation	(2,137)	4,465
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	(406)	848
Tax effects of:		
Expenses not deductible for tax purposes	545	211
Adjustments in respect of earlier periods	(138)	-
Capital allowances	(54)	(55)
Provisions allowable when realised	46	(80)
Group relief claimed	(131)	-
Other adjustments	-	134
Income tax for the period	(138)	1,058

Factors that affect future tax charges

At Budget 2021, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2021 and 2022 would remain at 19% and thereafter rise to 25%. This increase was substantively enacted on 24 May 2021. However, on 23 September 2022, the chancellor of the exchequer announced that this scheduled increase will be reversed, and corporation tax will remain at 19%. This legislation has not been substantively enacted at the date of issue of these financial statements.

THE CAVENDISH HOTEL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Tangible fixed assets

	Long leasehold buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2020	125,885	6,406	132,291
Additions	16	138	154
At 31 December 2020	125,901	6,544	132,445
Accumulated depreciation			
At 1 January 2020	(16,719)	(5,107)	(21,826)
Depreciation charge	(874)	(324)	(1,198)
At 31 December 2020	(17,593)	(5,431)	(23,024)
Net book value			
At 31 December 2020	108,308	1,113	109,421
At 1 January 2020	109,166	1,299	110,465

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.

10 Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	6	13
Finished goods and goods for resale	2	12
	<u>8</u>	<u>25</u>

11 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Trade debtors	431	475
Prepayments	82	580
Amounts due from related parties	158	158
Corporation Tax Recoverable	226	-
Total	<u>897</u>	<u>1,213</u>

Trade debtors are stated net of a provision of £92,000 (2019: £Nil) against amounts due from Superbreak Mini-Holidays Limited, which was placed into administration during the year.

THE CAVENDISH HOTEL (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

12 Creditors

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Trade creditors	85	321
Taxes and social security charges	45	887
Accruals and deferred income	1,203	1,615
Contract liabilities	52	159
Amounts due to related parties	203	459
Lease liability	25	25
	<u>1,613</u>	<u>3,466</u>
Amounts falling due after more than one year		
External bank loan	103,046	102,971
Amount owing to group undertaking	4,908	4,908
Lease liability	1,637	1,616
	<u>109,591</u>	<u>109,495</u>

At the balance sheet date, the Company had bank loans and loans due to group undertakings totalling £107,954,000 (2019: £107,879,000). The details of these loans are set out in the tables above. External bank loans comprise a revolving credit facility of £20,000,000 and a 5 year term loan facility of £83,220,000 both with a margin of 1.25% over LIBOR. The facility expires in May 2023. The balance of the external bank loan above is shown net of loan arrangement fees of £174,000 (2019: £249,000) which are being amortised over the term of the loan. The company was granted a covenant waiver until 31 March 2022, further details of which are included in the strategic report.

The Company has not, at the date of this report, entered into any hedging arrangement for 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. The Ascott Holdings Limited, an intermediate parent of the company, has entered into a deed of undertaking whereby it has pledged to provide additional security by way of cash on deposit or bank guarantees to cover any shortfall in either loan to value or interest cover covenants.

13 Share capital

Called up share capital

	2020	2019
	£'000	£'000
Allotted, issued and fully paid:		
1 ordinary share of £1 each	<u>-</u>	<u>-</u>

THE CAVENDISH HOTEL (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

14 Lease commitments

Lessor

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

	2020	2019
	£'000	£'000
Within 1 year	366	366
Between 2 and 5 years	313	277
After 5 years	28	28
	<u>707</u>	<u>671</u>

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

15 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 £46,000 (2019: £59,000). The value of pension costs outstanding at the year-end was £12,000 (2019: £12,000).

16 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.

The ultimate controlling party is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

17 Subsequent events

On 30 July 2021, The County Court at Central London issued a judgement in relation to an ongoing dispute with a tenant of a retail unit within the Cavendish Hotel London. The dispute concerned the terms under which the tenant's lease should be renewed. The Court found that an adjustment was required to the interim rent which had been paid by the tenant since the expiry of the previous lease in 2016. This resulted in a repayment to the tenant of £298,000 in relation to rents due up to the balance sheet date of 31 December 2020. This has been treated as an adjusting event in these financial statements and is therefore included in the result for the year.