

THE RESIDENT KENSINGTON LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

THE RESIDENT KENSINGTON LIMITED
REGISTERED NUMBER:05085498

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	5	18,200,000	18,200,000
		<u>18,200,000</u>	<u>18,200,000</u>
Current assets			
Stocks		2,832	16
Debtors: amounts falling due within one year	6	258,757	326,509
Cash at bank and in hand	7	488,509	76,585
		<u>750,098</u>	<u>403,110</u>
Creditors: amounts falling due within one year	8	(9,738,568)	(733,299)
Net current liabilities		<u>(8,988,470)</u>	<u>(330,189)</u>
Total assets less current liabilities		9,211,530	17,869,811
Creditors: amounts falling due after more than one year	9	(1,250,000)	(8,750,000)
Provisions for liabilities			
Deferred tax	11	(989,469)	(863,547)
		<u>(989,469)</u>	<u>(863,547)</u>
Net assets		<u>6,972,061</u>	<u>8,256,264</u>
Capital and reserves			
Called up share capital		1,495	1,495
Revaluation reserve	12	62,068	296,827
Other reserves	12	3,992	68,512
Profit and loss account	12	6,904,506	7,889,430
		<u>6,972,061</u>	<u>8,256,264</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

William Laxton
Director

Date: 23 December 2022

THE RESIDENT KENSINGTON LIMITED

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

	Called up share capital £	Revaluation reserve £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
At 1 January 2020	1,495	890,090	36,375	8,779,119	9,707,079
Comprehensive income for the year					
Loss for the year	-	-	-	(920,610)	(920,610)
Taxation in respect of items of other comprehensive income	-	-	(8,621)	-	(8,621)
Deficit on revaluation of freehold property	-	(603,645)	-	-	(603,645)
Deferred tax on property revaluations	-	41,303	-	-	41,303
Fair value movements on interest rate swap	-	-	40,758	-	40,758
Total comprehensive income for the year	-	(562,342)	32,137	(920,610)	(1,450,815)
Contributions by and distributions to owners					
Transfer from revaluation reserve	-	(30,921)	-	30,921	-
Total transactions with owners	-	(30,921)	-	30,921	-
At 1 January 2021	1,495	296,827	68,512	7,889,430	8,256,264
Comprehensive income for the year					
Loss for the year	-	-	-	(1,004,284)	(1,004,284)
Taxation in respect of items of other comprehensive income	-	-	14,740	-	14,740
Deficit on revaluation of freehold property	-	(215,399)	-	-	(215,399)
Fair value movements on interest rate swap	-	-	(79,260)	-	(79,260)
Total comprehensive income for the year	-	(215,399)	(64,520)	(1,004,284)	(1,284,203)
Contributions by and distributions to owners					
Transfer to/from profit and loss account	-	(19,360)	-	19,360	-
At 31 December 2021	1,495	62,068	3,992	6,904,506	6,972,061

The notes on pages 3 to 12 form part of these financial statements.

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

1. General information

The Resident Kensington Limited is a private company (registered number 05085498), limited by shares, registered in England and Wales. The registered address is 112 Jermyn Street, London, SW1Y 6LS. The principal place of business is 25 Courtfield Gardens, Earls Court, London, SW5 0PG.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

Notwithstanding net current liabilities of £8,988,470 as at 31 December 2021, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that the Company will have sufficient funds, through the successful completion of the refinancing of its commercial bank loan facility with National Westminster Bank plc in November 2022, to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from accommodation, food and beverages and other ancillary services is recognised on the date of delivery of the service, as this is the date on which risk and reward transfers from the Company to the customer. Any amounts received before the end of the reporting period in respect of the provision of accommodation and services after the reporting period are treated accordingly as deferred revenues.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-
	90 years straight line
Integral plant element of buildings	-
	5 - 15 years straight line
Fixtures and fittings	-
	2 - 5 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.5 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation plus any subsequent additions less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

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

2. Accounting policies (continued)

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks and other third parties loans.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Hedge accounting

The Company uses variable to fixed interest rate swaps to manage its exposure to fair value risk on its bank loan. These derivatives are measured at fair value at each balance sheet date. The fair value is determined by the lender based on the mid-market price for the instrument as at the close of business at the balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

2.13 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the process of applying its accounting policies, the Company is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented.

On an ongoing basis, the Company evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

Going concern

The directors have used judgement in determining that the Company is a going concern. See note 2.2 for further details.

Revaluation of freehold property

The Company holds freehold property of £17,897,503 (2020: £18,042,419) which are accounted for under the revaluation model. Valuation of freehold property is a significant area of estimation. Directors' valuations are based upon the most recent external valuations available by external professional valuers and directors' expertise and knowledge of current market conditions. The valuation of freehold property is inherently subjective, as it is based upon valuer assumptions and directors' assessment of market conditions which may prove to be inaccurate. Slight changes in these assumptions could have a material impact on the £NIL (2020: £603,645) revaluation loss recognised during the year in Other Comprehensive Income.

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

4. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2020 - £NIL).

5. Tangible fixed assets

	Freehold property £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2021	18,042,419	1,245,983	19,288,402
Additions	-	430,003	430,003
Revaluations	(360,315)	-	(360,315)
At 31 December 2021	17,682,104	1,675,986	19,358,090
Depreciation			
At 1 January 2021	-	1,088,402	1,088,402
Charge for the year on owned assets	144,916	69,688	214,604
On revalued assets	(144,916)	-	(144,916)
At 31 December 2021	-	1,158,090	1,158,090
Net book value			
At 31 December 2021	<u>17,682,104</u>	<u>517,896</u>	<u>18,200,000</u>
At 31 December 2020	<u>18,042,419</u>	<u>157,581</u>	<u>18,200,000</u>

Cost or valuation at 31 December 2021 is as follows:

	Land and buildings £
At cost	12,894,751
At valuation:	
Revaluation surplus based on a directors' valuation on basis of existing planning use with vacant possession at 31 December 2021	<u>4,787,353</u>
	<u>17,682,104</u>

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

5. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2021 £	2020 £
Cost	12,894,751	12,894,751
Accumulated depreciation	(3,961,321)	(3,835,765)
Net book value	8,933,430	9,058,986

6. Debtors

	2021 £	2020 £
Trade debtors	12,689	-
Amounts owed by group undertakings	-	2,058
Amounts owed by associates	154	-
Other debtors	191,521	210,449
Prepayments and accrued income	49,071	29,420
Financial instruments	5,322	84,582
	258,757	326,509

7. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	488,509	76,585
Less: bank overdrafts	-	(36,642)
	488,509	39,943

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

8. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank overdrafts	-	36,642
Bank loans	9,000,000	-
Other loans	310,879	290,000
Trade creditors	67,267	24,930
Amounts owed to group undertakings	178,761	5,065
Amounts owed to associates	-	239,455
Other creditors	111,676	98,981
Accruals and deferred income	69,985	38,226
	<u>9,738,568</u>	<u>733,299</u>

9. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Bank loans	<u>1,250,000</u>	<u>8,750,000</u>

10. Loans

	2021 £	2020 £
Amounts falling due within one year		
Bank loans	9,000,000	-
Other loans	310,879	290,000
Amounts falling due 1-2 years		
Bank loans	300,000	8,750,000
Amounts falling due 2-5 years		
Bank loans	900,000	-
Amounts falling due after more than 5 years		
Bank loans	50,000	-
	<u>10,560,879</u>	<u>9,040,000</u>

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

10. (continued)

Other loans includes an unsecured loan of £310,879 (2020: £290,000), which includes accrued interest of £20,879 (2020: £NIL), owed to Western Heritable Limited, a company under common control, that is repayable upon demand. Interest is charged at 5% per annum.

Bank loans include a Coronavirus Business Interruption Loan ("CBILs") repayable in monthly instalments of £25,000 commencing March 2022. Interest is charged at 2.96% above base rate per annum. The balance on the CBILs bank loan as at 31 December 2021 is £1,500,000 (2020: £NIL).

Bank loans also includes a commercial loan repayable in equal quarterly instalments of £37,500 commencing January 2017, with a bullet repayment in November 2022. However on 29 September 2020 the lender agreed to waive these repayments until September 2022. On 14 December 2021 the loan facility was restated to transition from interest being payable at LIBOR plus 1.6% to SONIA plus 1.6%. The balance on the commercial bank loan as at 31 December 2021 is £8,750,000 (2020: £8,750,000).

On 31 January 2017 the Company, along with The Resident Liverpool LLP and The Resident Soho Limited, entered into a combined £33.4million term loan facility agreement with National Westminster Bank plc. The facility is secured against freehold property owned by the Company and a debenture over the Company's assets. The Company also gave a joint and several guarantee for all sums due to National Westminster Bank plc under this facility. The Resident Liverpool LLP, The Resident Kensington Holdings Limited, The Resident Soho Limited and The Resident Soho Holdings Limited also provided joint and several guarantees.

On 9 November 2017 the £33.4m term loan was restated and increased to a £55.4m term loan facility with The Resident Covent Garden Limited joining as a borrower. As part of the revised arrangements, the Company, the other existing four guarantors, The Resident Covent Garden Limited and The Resident Covent Garden Holdings Limited each provided National Westminster Bank plc with a new joint and several guarantee for all sums due to National Westminster Bank plc under the restated facility. The Company alongside The Resident Liverpool LLP and The Resident Soho Limited each provided National Westminster Bank plc with additional guarantees covering any cost overruns incurred by The Resident Covent Garden Limited in developing a new hotel in Covent Garden, London. These guarantees are capped at £897,936 and are fully supported by cash deposits from by The Resident Covent Garden Limited.

The Resident Soho Limited has entered into a swap agreement on £27.5million, of which £7.57million is allocated to the Company based on its proportion of the year end loan facility, whereby the Company pays interest at 1.01% and receives interest at LIBOR. The swap is held at fair value at the date of the Statement of Financial Position.

11. Deferred taxation

	2021 £	2020 £
At beginning of year	(863,547)	(841,477)
Charged to profit or loss	(140,662)	(54,752)
Charged to other comprehensive income	14,740	32,682
At end of year	(989,469)	(863,547)

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

11. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(1,259,490)	(894,202)
Short term timing differences	(1,330)	(16,071)
Tax losses carried forward	271,351	46,726
	<u>(989,469)</u>	<u>(863,547)</u>

12. Reserves

Revaluation reserve

This reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset.

Profit and loss account

Includes all current year and prior year retained profits and losses, less dividends paid.

Cash flow hedge reserve

The cash flow hedge reserve is used to record movements in the fair value of derivatives where the Company has applied hedge accounting.

13. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	9,275	9,275
Later than 1 year and not later than 5 years	16,880	26,155
	<u>26,155</u>	<u>35,430</u>

14. Post balance sheet events

In November 2022 the Company secured a refinancing package with its existing lender of its £8,750,000 commercial bank loan that was previously due for repayment in full in November 2022. Under the terms of the new loan agreement the size of the loan facility has been increased and the loan is not due for repayment in full until November 2027.

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

15. Controlling party

The Company's immediate parent company is The Resident Kensington Holdings Limited, which is registered in England and Wales. The Company's ultimate parent company and controlling party is Mactaggart Hotel Holdings Limited which is registered in England and Wales at 2 Babmaes Street, London, SW1Y 6HD. Mactaggart Hotel Holdings Limited produces consolidated financial statements that are available to the public, on payment of the appropriate fee, from the Registrar of Companies at Companies House, Crown Way, Cardiff, CF14 3UZ.

16. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2021 was unqualified.

In their report, the auditors emphasised the following matter without qualifying their report:

We draw attention to note 3 in the financial statements, which discloses the uncertainty in the valuation of the Company's freehold property. Our opinion is not modified in respect of this matter.

The audit report was signed on 23 December 2022 by Gareth Ogden (Senior Statutory Auditor) on behalf of Haysmacintyre LLP.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.