

The Cavendish Hotel (London) Limited
(registered number 5926753)

Report of the directors and financial statements
for the year ended 31 December 2011



The Cavendish Hotel (London) Limited

Report of the directors for the year ended 31 December 2011 (registered number 5926753)

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities and business review

The company owns and operates The Cavendish Hotel in London. The directors are pleased to report that the company generated an operating profit of £6,782,000 (2010 £4,711,000)

The results for the company for the year are set out in the profit and loss account on page 7

Future developments

The directors will continue to develop and promote the hotel

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks affecting the company are set out below

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible effects on the company.

Economic and financial risk

The company's business is exposed to the risk of negative developments in the global and regional economies and financial markets, either directly through the impact of third party hotel owners and developers, bankers, suppliers or customers. These developments can result in recession, inflation, deflation, currency fluctuations, and restrictions in the availability of credit, business failures or increases in finance costs. Such developments might increase operating costs and reduce revenues.

Commercial and market risk

Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks.

The company operates within the global hotel industry which is highly competitive, and failure to compete effectively in terms of quality of product, levels of service or price can have an adverse effect on earnings. Significant pressure from such competition may lead to reduced margins.

The company competes with other four star hotel operators for management opportunities, and a failure to compete successfully could adversely affect its business.

The Cavendish Hotel (London) Limited

Report of the directors for the year ended 31 December 2011 (continued) (registered number 5926753)

Directors

The directors of the company during the year ended 31 December 2011 were

A S Barclay
H M Barclay
C Fahy
R K Mowatt
P L Peters
M Seal

Results and dividends

The retained profit of £3,371,000, (2010 £2,709,000) has been transferred to reserves. The directors do not recommend the payment of a dividend for the year ended 31 December 2011 (2010 £nil).

Employee involvement

The company has continued to maintain its commitment to employee involvement throughout the business. Employees are kept well informed of the performance and objectives of the company through personal briefings, regular meetings and e-mail.

Equal opportunities

The company is committed to an active equal opportunities policy from recruitment and selection, through training and development, appraisal and promotion to retirement.

It is the company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

The company is responsive to the needs of its employees, customers and the community at large and is an organisation that endeavours to use everyone's talents and abilities to the full.

Creditor payment policy

For all trade creditors, it is the company's policy to

- agree the terms of payment at the start of business with the supplier,
- ensure that suppliers are aware of the terms of payment, and
- pay in accordance with its contractual and other legal obligations.

The Cavendish Hotel (London) Limited

Report of the directors for the year ended 31 December 2011 (continued) (registered number 5926753)

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 year.

In preparing these financial statements, the directors are required to

- a) select suitable accounting policies and then apply them consistently,
- b) make judgements and accounting estimates that are reasonable and prudent,
- c) state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Cavendish Hotel (London) Limited

Report of the directors for the year ended 31 December 2011 (continued) (registered number 5926753)

Financial risk management

The company's activities expose it to a variety of financial risks, including credit risk, liquidity risk and cash flow risk. The company's overall financial risk management objective is to minimise its potential adverse effects on the financial performance of the company.

(a) Credit risk

Credit risk arises from acceptance of credit card payments from customers. The company manages this risk by only pre-authorising credit card payments prior to the customer occupying the rooms.

(b) Liquidity risk

The company practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient funding requirements for working capital. The company has debt facilities that are designed to ensure the company has sufficient available funds for operations and planned expansions.

(c) Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets consist of cash balances. Interest bearing liabilities consist of external loan commitments.

By order of the board



M Seal
Director



2012

The Cavendish Hotel (London) Limited

Independent auditors' report to the members of The Cavendish Hotel (London) Limited

We have audited the financial statements of The Cavendish Hotel (London) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

The Cavendish Hotel (London) Limited

Independent auditors' report to the members of The Cavendish Hotel (London) Limited (continued)

Matters on which we are required to report by exception

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

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



Simon O'Brien (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place, London, WC2N 6RH

4 April 2012

The Cavendish Hotel (London) Limited

Profit and loss account for the year ended 31 December 2011

	NOTE	2011 £'000	Re-stated 2010 £'000
Turnover		15,261	14,111
Cost of sales		<u>(4,252)</u>	<u>(3,951)</u>
Gross profit		11,009	10,160
Administrative expenses		(5,131)	(6,326)
Other net operating income		<u>904</u>	<u>877</u>
Operating profit	2	6,782	4,711
Net interest and similar charges	5	<u>(2,307)</u>	<u>(2,002)</u>
Profit on ordinary activities before taxation		4,475	2,709
Tax on profit on ordinary activities	6	<u>(1,104)</u>	<u>-</u>
Profit for the financial year	13	<u>3,371</u>	<u>2,709</u>

All activities are classified as continuing

The company has no recognised gains or losses other than the profit during the current or prior financial year, and accordingly a statement of total recognised gains and losses has not been prepared

For the current and prior financial years, there are no differences between the profit and its historical cost equivalent

The Cavendish Hotel (London) Limited

Balance sheet as at 31 December 2011
(registered number 5926753)

	NOTE	2011 £'000	2010 £'000
Tangible fixed assets	7	114,486	113,509
Current assets			
Stock	8	37	44
Debtors	9	966	1,323
Cash at bank and in hand		1,463	1,173
		2,466	2,540
Creditors amounts falling due within one year	10	(2,823)	(94,429)
Net current liabilities		(357)	(91,889)
Total assets less current liabilities		114,129	21,620
Creditors amounts falling due after more than one year	10	(111,138)	(22,000)
Net assets/(liabilities)		2,991	(380)
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	2,991	(380)
Total shareholders' funds/(deficit)	13	2,991	(380)

The financial statements on pages 7 to 16 were approved by the Board of Directors on **4 APRIL** 2012 and were signed on its behalf by



M Seal
Director



R K Mowatt
Director

The Cavendish Hotel (London) Limited

Cash flow statement for the year ended 31 December 2011

	2011	2010
	£'000	£'000
Net cash inflow from operating activities	9,141	7,524
Returns on investment and servicing of finance		
Interest received	6	12
Interest paid	(2,301)	(1,991)
Net cash outflow from returns on investments and servicing of finance	(2,295)	(1,979)
Taxation		
UK Corporation tax charge	(1,104)	-
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,690)	(723)
Net cash inflow before financing	4,052	4,822
Financing		
Decrease in bank borrowings	(3,762)	(6,913)
Increase/(decrease) in net cash	290	(2,091)

The Cavendish Hotel (London) Limited

Cash Flow Statement for the year ended 31 December 2011 (continued)

Reconciliation of operating profit to operating cash flows

	2011 £'000	2010 £'000
Operating profit	6,782	4,711
Depreciation	1,333	2,904
Decrease/(increase) in stock	7	(12)
Increase in debtors	(262)	(4)
Increase/(decrease) in creditors	1,281	(75)
Net cash inflow from operating activities	<u>9,141</u>	<u>7,524</u>

Reconciliation of net cash flow to movement in net debt

	2011 £'000	2010 £'000
Increase/(decrease) in cash for the year	290	(2,091)
Decrease in debt	3,762	6,913
	<u>4,052</u>	<u>4,822</u>
Net debt at start of year	<u>(113,727)</u>	<u>(118,549)</u>
Net debt at end of year	<u>(109,675)</u>	<u>(113,727)</u>

Analysis of changes in net debt

	1 January 2011 £'000	Cash flows £'000	Non-cash items £'000	31 December 2011 £'000
Cash at bank and in hand	1,173	290	-	1,463
Bank loans	(92,900)	3,762	-	(89,138)
Holding company loans	(22,000)	-	-	(22,000)
	<u>(113,727)</u>	<u>4,052</u>	<u>-</u>	<u>(109,675)</u>

The Cavendish Hotel (London) Limited

Notes to the financial statements for the year ended 31 December 2011

1 Principal accounting policies

Basis of preparation

The financial statements are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom under the historical cost convention. The more important accounting policies of the company which have been applied consistently are set out below.

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 properties	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 based on prices prevailing at the year end or subsequent independent valuation.

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 liquor. Revenue is recognised on the daily occupation of accommodation and once a service has been rendered.

Stocks

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

Taxation

Corporation tax is provided on taxable profits at the standard rate of corporation tax in the United Kingdom of 26.5 percent (2010: 28 percent).

Deferred tax is accounted for on an undiscounted basis at tax rates enacted or substantially enacted at the balance sheet date on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

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 are netted against the gross value of the loan and are subsequently amortised over the length of the related loan or facility.

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, in order to match to the provision of service.

The Cavendish Hotel (London) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

2 Profit on ordinary activities before taxation

	2011 £'000	2010 £'000
Operating profit is stated after charging		
Auditors' remuneration for audit services	18	17
Depreciation of tangible fixed assets	1,333	2,904

3 Directors' emoluments

Apart from one director, all other directors are 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. The amounts disclosed below relate wholly to the highest paid director.

	2011 £'000	2010 £'000
Director's emoluments	227	217
Pension contributions	15	15
	242	232

Retirement benefits are accruing to one director (2010: one) under a defined benefits scheme.

4 Employee information

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

	2011 number	2010 number
Selling and Distribution	100	91
Administration	11	10
	111	101

- b) The aggregate payroll costs of these persons were as follows:

	2011 £'000	2010 £'000
Wages and salaries	2,422	2,216
Social security costs	212	203
Pension costs	45	45
	2,679	2,464

The pension costs represent contributions payable by the company to a personal pension scheme approved under the stakeholder pensions rules. At 31 December 2011 contributions of £nil (2010: £nil) were due to the scheme.

The Cavendish Hotel (London) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

5 Net interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable and similar charges	2,121	1,913
Amortisation of bank loan arrangement fee	192	101
	<u>2,313</u>	<u>2,014</u>
Interest receivable and similar income	(6)	(12)
	<u>2,307</u>	<u>2,002</u>

6 Taxation on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax:		
United Kingdom corporation tax on profit for the financial year	-	-
Group relief paid and payable	1,104	-
Total current tax	<u>1,104</u>	<u>-</u>
Deferred tax		
Deferred tax	-	-
Tax charge on profit on ordinary activities	<u>1,104</u>	<u>-</u>

The taxation charge is different to the standard rate of corporation tax in the United Kingdom 26.5% (2010 28%). The differences are explained below

Profit on ordinary activities before tax	4,475	2,709
Profit on ordinary activities multiplied by the standard rate in the United Kingdom of 26.5% (2010 28%)	1,186	759
Effects of		
Expenses not deductible for tax purposes	4	5
Accelerated capital allowances and other timing differences	204	640
Losses brought forward utilised	-	(3)
Group relief claimed for nil consideration	(291)	(1,401)
Total current tax charge	<u>1,104</u>	<u>-</u>

The Cavendish Hotel (London) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 Tangible fixed assets

	Long Leasehold buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost	120,920	3,379	124,299
Additions	1,143	547	1,690
Transfer from W I P	619	-	619
At 31 December 2011	122,682	3,926	126,608
Accumulated depreciation	9,233	1,557	10,790
Charge for the period	810	523	1,333
Adjustment	(1)	-	(1)
At 31 December 2011	10,042	2,080	12,122
Net book value At 31 December 2011	112,640	1,846	114,486
Net book value At 31 December 2010	111,687	1,822	113,509

8 Stock

	2011 £'000	2010 £'000
Raw materials and consumables	15	17
Finished goods and goods for resale	22	27
	37	44

9 Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year		
Trade debtors	618	492
Prepayments and accrued income	348	831
	966	1,323

The Cavendish Hotel (London) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Creditors, amounts falling due within one year

	2011 £'000	2010 £'000
Bank loans (see notes below)	-	92,900
Trade creditors	219	145
Taxation and social security	591	508
Accruals and deferred income	2,013	876
	<u>2,823</u>	<u>94,429</u>

Creditors amounts falling due after more than one year

	2011 £'000	2010 £'000
Bank loans	89,138	-
Amount owing to group undertaking	22,000	22,000
	<u>111,138</u>	<u>22,000</u>

The bank loans are secured by legal charges over the land and buildings of the company and bear rates of interest of LIBOR plus 2.5%, contain certain financial covenants and are repayable in 2014. Included in the bank loan balances is an amount of £900,000 (£100,000 in 2010) relating to arrangement fees incurred on inception of the loans. The arrangement fees are released to the profit and loss account over the term of the facility, and an amount of £192,000, (£101,000 in 2010) was charged in the year 2011.

The amount owing to group undertaking is interest free with no fixed terms of repayment.

11 Deferred taxation

The potential deferred tax asset not recognised is as follows

	2011 £'000	2010 £'000
Accelerated capital allowances	104	133
Losses carried forward	186	203
	<u>290</u>	<u>336</u>

The Cavendish Hotel (London) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

12 Called up share capital

	2011 & 2010 £
Authorised	
100 (2010 100) ordinary shares of £1 each	<u>100</u>
Allotted and fully paid up	
1 (2010 1) ordinary shares of £1 each	<u>1</u>

13 Profit and loss account and movement in shareholders' funds

	2011 £'000	2011 £'000
At 1 January	(380)	(3,089)
Profit for the financial year	<u>3,371</u>	<u>2,709</u>
At 31 December	<u>2,991</u>	<u>(380)</u>

14 Lease commitments

	2011 £'000	2010 £'000
Annual commitments under non-cancellable land and building leases which expire		
After five years	<u>25</u>	<u>25</u>

15 Pensions

The company has established personal pension schemes approved under the stakeholder pension's rules. The contributions made by the company for the year amounted to £60,000 (2010 £60,000). The value of pension costs outstanding at the year end was £nil (2010 £nil).

16 Related party transactions

As the company's voting rights are controlled within the group headed by Ellerman Holdings Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group or are disclosed in the group accounts.

17 Ultimate controlling party

The immediate holding company is Ellerman Holdings Limited, a company incorporated in Jersey which the directors regard as being ultimately controlled by the Sir David and Sir Frederick Barclay Family Settlements.

B UK Limited, a company incorporated in Bermuda, is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2011. Ellerman Holdings Limited is the smallest group of undertakings to consolidate these financial statements.