

The Cavendish Hotel (London) Limited
Directors' Report and Financial Statements
for the year ended 31 December 2016
Registered number 5926753

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**The Cavendish Hotel (London) Limited
Directors' report and financial statements
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The Cavendish Hotel (London) Limited

Strategic report

Principal activities & Business review

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

Business review

For the year ended December 31, 2016, the gross profit was £9,467,000 (2015:£10,240,000). The profit before tax amounted to £481,000 which was an improvement compared to the £1,242,000 loss generated in the previous year.

No other specific events occurred during 2016 year which could have potentially affected the business's operations.

Financial risk management policies and objectives

The company is financed by a bank loan from DBS 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%. At 31 December 2016 the company was in compliance with this covenant and the Directors expect this to remain the case for the foreseeable future.

Future Developments

No significant future developments are noted, however in light of the UK's recent vote to leave The European Union (EU) on June, 23rd June 2016, there is a certain level of belief coming from the general economic market that the impact of this decision is not clear cut in either direction but may be dependent on a number of tough decisions to be taken by the UK and Europe. These decisions are expected to be made over a number of upcoming years.

By order of the board

Kian Tiong Alfred Ong

Director
Approved by board of directors on 10/08/2017.
Company Registered number 5926753



The Cavendish Hotel (London) Limited

Directors' report

Results and Dividends

The directors do not recommend a payment of a dividend (2015: nil).

Directors

The directors who held office during the year were as follows:

Marie-Isabelle AW
Alfred Kian Tiong ONG
Rebecca Catherine Hollants Van Looke

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

Company secretary's details

Reed Smith Corporate Services Ltd
The Broadgate Tower
Third floor
20 Primrose Street
London EC2A 2RS

Registered Office

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

Directors' remuneration

Directors' remuneration for the current and prior year was borne by the parent company.
Retirement benefits are accruing for none of the company's directors.

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.

By order of the board

Kian Tiong Alfred Ong

Director
Approved by board of directors on 14/08/ 2017.
Company Registered number 5926753



The Cavendish Hotel (London) Limited
Statement of directors' responsibilities in respect of the directors Report, strategic report and the financial statements

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

KPMG LLP

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

We have audited the financial statements of The Cavendish Hotel (London) Ltd for the year ended 31 December 2016 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement 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 (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

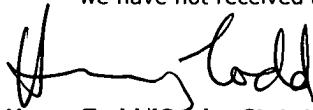
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- 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

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.



Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL

Date: 11/08/17

The Cavendish Hotel (London) Limited

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2016

		2016 £'000	2015 £'000
Turnover		14,202	14,496
Cost of sales		(4,735)	(4,256)
Gross profit		9,467	10,240
Administrative expenses		(6,241)	(8,918)
Other operating income		963	987
Operating profit	2	4,189	2,309
Net interest and similar charges	5	(3,708)	(3,551)
Profit/(Loss) on ordinary activities before taxation		481	(1,242)
Tax on profit/(loss) on ordinary activities	6	(347)	(581)
Profit/(Loss) for the year		134	(1,823)
Other comprehensive income:			
Items that are or may be reclassified to profit and loss			
Fair value movement on interest swap		(616)	(240)
Total comprehensive loss for the year		(482)	(2,062)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on page 8 - 14 form part of the Financial Statements.

The Cavendish Hotel (London) Limited

BALANCE SHEET
as at 31 December 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed Asset					
Tangible assets	7		110,356		110,336
Current assets					
Stock	8	29		64	
Debtors	9	783		858	
Cash at bank and in hand		4,857		2,215	
		<u>5,669</u>		<u>3,137</u>	
Creditors					
amounts falling within 1 year	10	(3,945)		(2,456)	
Net Current assets			<u>1,725</u>		<u>680</u>
Total assets less current liabilities			<u>112,081</u>		<u>111,016</u>
Creditors	10				
amounts falling due after more than one year		(112,149)		(110,604)	
Net assets			<u>(69)</u>		<u>413</u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account			787		653
Hedging fair value reserve			(855)		(240)
Shareholders' funds			<u>(69)</u>		<u>413</u>

The notes on pages 8 - 14 form part of the financial statements.

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

10/08/17

Kian Tiong Alfred Ong
Director

Company registration no. 5926753



The Cavendish Hotel (London) Limited

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2016

	Share Capital £'000	Other reserves £'000	Profit and loss account £'000	Total Shareholders' funds £'000
At 1 January 2015	-	-	2,475	2,475
Profit for the year	-	-	(1,823)	(1,823)
Dividends	-	-	-	-
Change in fair value of financial derivatives	-	(240)	-	(240)
At 31 December 2015	-	(240)	652	413
At 1 January 2016	-	(240)	652	413
Profit for the year	-	-	134	134
Dividends	-	-	-	-
Change in fair value of financial derivatives	-	(616)	-	(616)
Balance as at 31 December 2016	-	(855)	787	(69)

Company registration no. 5926753

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

1 Accounting policies

Basis of accounting

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

Basis of preparation

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. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 101 in respect of the following disclosures:

Cash flow statement and related notes
Comparative period reconciliations for share capital and tangible fixed assets
Disclosures in respect of capital management
The effects of new but not yet effective IFRSs
Disclosures in respect of the compensation of Key Management Personnel

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 01 January 2014 for the purposes of the transition to FRS 101.

The company has net current assets of £1.7m at 31 December 2016 (2015: £0.7m). The Company prepares forecasts to monitor liquidity which show the company has sufficient resources to meet its obligations as they fall due. In particular the dividend payable will not be settled until the directors are satisfied the Company has the resources to do so.

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

1 Accounting policies (continued)

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

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 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.

Derivative financial instruments

The objective of the hedge transaction is to provide certainty in our interest expense against volatility due to interest rate hikes in LIBOR.

The risk being hedged is the floating interest rate risk in The Cavendish's bank loan against volatility due to interest rate hikes.

The hedging objective is consistent with the Group, TAL's overall risk management strategy.

Estimates and judgements

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

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

2 Operating profit on ordinary activities before taxation

	2016 £'000	2015 £'000
Operating profit is stated after charging :		
Auditor's remuneration for audit services	22	24
Operating lease expense	28	28
Depreciation of tangible fixed assets	1,113	1,157

No other fees were payable to the company's auditor.

3 Directors' emoluments

All current directors remunerations 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.

4 Employee information

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

	2016 £'000	2015 £'000
Selling and Distribution	89	92
Administration	8	10
	<u>97</u>	<u>102</u>

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

	2016 £'000	2015 £'000
Wages and salaries	2,069	1,891
Social security costs	178	161
Pension costs	37	29
	<u>2,284</u>	<u>2,081</u>

The pension costs represent contributions payable by the company to a personal pension scheme approved under the stakeholder pensions rules.

5 Net interest payable and similar charges

	2016 £'000	2015 £'000
Interest payable on bank loan	(3,189)	(3,049)
Interest payable on loans from related parties	(273)	(256)
Amortisation of bank loan arrangement fee	(246)	(246)
	<u>(3,708)</u>	<u>(3,551)</u>
Bank interest receivable	-	-
	<u>(3,708)</u>	<u>(3,551)</u>

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

6 Taxation on loss on ordinary activities

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax charge	347	581
Deferred tax:		
Deferred tax	-	-
<u>Tax charge on profit on ordinary activities</u>	<u>347</u>	<u>581</u>
 Profit on ordinary activities before tax	 481	 (1,242)
Standard rate of corporation tax in the UK	20.00%	20.25%
Profit multiplied by the standard rate of corporation tax	96	(251)
Effects of :		
Expenses not deductible for tax purposes	329	234
Movement in un-provided deferred tax for capital allowances	(53)	(45)
Impact of Disallowable expenditures	-	645
Adjustment from previous year	(25)	(2)
Total tax charge	<u>347</u>	<u>581</u>

Factors that affect future tax charges

At The 2015 Summer Budget, the UK Government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018, 2019 and at 18% for the year starting 1 April 2020.

At The 2015 Summer Budget, the UK Government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

7 Tangible fixed assets

	Long Leasehold buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 31 December 2015	123,039	4,547	127,586
Additions	1,053	81	3,769
At 31 December 2016	124,092	4,628	128,720
Accumulated depreciation			
At 31 December 2015	(13,320)	(3,930)	(17,250)
Charge for the period	(840)	(273)	(1,113)
At 31 December 2016	(14,160)	(4,203)	(18,363)
Net book value			
At 31 December 2016	109,932	425	110,357
At 31 December 2015	109,719	617	110,336

8 Stocks

	2016 £'000	2015 £'000
Raw materials and consumables	12	47
Finished goods and goods for resale	17	17
	29	64

9 Debtors

Amounts falling due within one year	2016 £'000	2015 £'000
Trade debtors	427	483
Prepayments	356	375
	783	858

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

10 Creditors

a) amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	(514)	(383)
Taxation and social security	(399)	(488)
Accruals and deferred income	(2,176)	(1,346)
Derivative liability	(855)	(240)
	(3,945)	(2,457)

b) amounts falling due after more than one year

	2016 £'000	2015 £'000
Amount owing to External Bank loan	(103,220)	(103,220)
Amount owing to group undertaking	(9,300)	(8,000)
	(112,149)	(110,604)

Following the acquisition of the Company by Ascott St James (Jersey) Limited, the Company repaid its bank loans and amounts due to companies in its former group using the proceeds of short term unsecured loans repayable on demand from related subsidiaries of its new parent. The following loans have been set up: £8,000,000 at 3-months LIBOR rate with 0.125% margin, £900,000 at 3-months LIBOR rate with 2.1% margin and £400,000 at 1-month LIBOR rate with 2.1% margin.

In July 2013 part of the loan with Ascott St James was reimbursed for the amount of £103,220,000 and an external loan was set up with DBS for the amount of £103,220,000 on variable rate equating to 3-months LIBOR. The company since entered into fixed rate swaps at rate of 1.11% and 1.175% that ends on 5th March 2018.

The loan contains a loan to value covenant limit of 70%. At 31 December 2016 and 31 December 2015, the Company is compliant with this covenant and the Directors expect this to remain the case for the foreseeable future.

11 Deferred taxation

The potential deferred tax asset not recognised is as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	579	131
Losses carried forward	104	104
	683	235

12 Share capital

	2016	2015
Issued and fully paid up		
1 (2014: 1) ordinary share of £1	£1	£1

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

13 Lease commitments

Annual commitments under non-cancellable land and building leases which expire:

	2016 £'000	2015 £'000
After 5 years	28	25
	28	25

14 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 £37,000 (2015: £28,500). The value of pension costs outstanding at the year-end was £nil (2015: £nil).

15 Related party transactions

As the company's voting rights are controlled within the group headed by CapitaLand 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.

16 Controlling Parties

On November 16, 2012, the ordinary share capital of the Company was acquired by Ascott St James (Jersey) Limited. The ultimate controlling party is CapitaLand Limited.

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.