

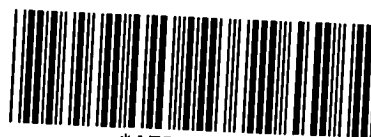
The Cavendish Hotel (London) Limited

Directors' Report and Financial Statements

for the year ended 31 December 2017

Registered number 05926753

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

	Page
Strategic report	1
Directors' report	2
Statement of Director's responsibilities in respect of the Strategic report, the Directors' report and the Financial Statements	3
Independent auditor's report to the members of The Cavendish Hotel (London) Limited	4-5
Profit and loss account and other comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9-15

The Cavendish Hotel (London) Limited Strategic report

Principal activities

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

Business review

For the year ended December 31st 2017, the gross profit was £10,865,000 (2016: £9,467,000). The profit before tax amounted to £2,274,000 which was an improvement compared to the £481,000 profit generated in the previous year.

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.

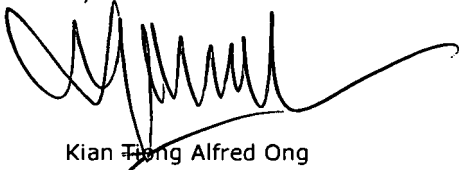
The loan contains a loan to value covenant limit of 70%. At 31 December 2017 the company was in compliance with this covenant and the Directors expect this to remain the case for the foreseeable future.

The DBS bank loan expired on the 5th May 2018. As mentioned in the subsequent events note (note 17) this loan was refinanced post year end.

Future Developments

The directors do not currently have plans for any significant changes to the business operations, however, they are mindful of the ongoing uncertainty presented by the United Kingdom's decision to leave the European Union. The directors will continue to monitor development in this area to ensure that the company is able to mitigate any adverse consequences of this change whilst remaining poised to exploit any opportunities that may arise.

By order of the board



Kian Hong Alfred Ong
Director

Approved by board of directors on
Company Registered number 05926753

2nd August 2018

The Cavendish Hotel (London) Limited Directors' report

Results and Dividends

On September 29, 2017, after due and careful consideration, it was resolved to pay an interim dividend of £1,000,000 to Ascott St James (Jersey) Limited, the single Member of the Company (2016: nil).

Directors

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

Marie-Isabelle Aw
Kian Tiong Alfred Ong
Rebecca Catherine Hollants Van Looke (Resigned 23 May 2017)
Eric Julien Adrien Fombonne (Appointed 23 May 2017)

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 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.

By order of the board



Kian Tiong Alfred Ong
Director

Approved by board of directors on 2nd August 2018
Company Registered number 05926753

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' 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;
- 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 AUDITOR'S REPORT TO THE MEMBERS OF THE CAVENDISH HOTEL (LONDON) LIMITED

Opinion

We have audited the financial statements of The Cavendish Hotel (London) Limited ("the company") for the year ended 31 December 2017 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CAVENDISH HOTEL (LONDON) LIMITED (continued)

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Henry Todd (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

Date: 3 August 2018

The Cavendish Hotel (London) Limited

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2017

		2017 £'000	2016 £'000
	Note		
Turnover		15,181	14,202
Cost of sales		(4,316)	(4,735)
Gross profit		10,865	9,467
Administrative expenses		(6,236)	(6,241)
Other operating income		1,306	963
Operating profit	2	5,935	4,189
Net interest and similar charges	5	(3,661)	(3,708)
Profit on ordinary activities before taxation		2,274	481
Tax on profit on ordinary activities	6	(581)	(347)
Profit for the year		1,693	134
Other comprehensive income/(loss):			
Fair value movement on interest swap		685	(616)
Total comprehensive income/(loss) for the year		2,378	(482)

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

The notes on page 9 -15 form part of the financial statements.

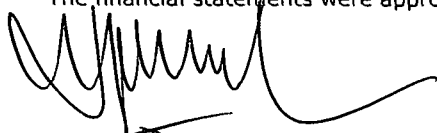
The Cavendish Hotel (London) Limited

BALANCE SHEET as at 31 December 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible assets	7		109,983		110,356
Current assets					
Stock	8	24		29	
Debtors	9	969		783	
Cash at bank and in hand		5,233		4,857	
		<u>6,226</u>		<u>5,669</u>	
Creditors					
amounts falling due within one year	10	(106,500)		(3,945)	
Net current assets/ (liabilities)			<u>(100,274)</u>		<u>1,724</u>
Total assets less current liabilities			<u>9,709</u>		<u>112,080</u>
Creditors					
amounts falling due after more than one year	10	(8,400)		(112,149)	
Net assets/(liabilities)			<u>1,309</u>		<u>(69)</u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account			1,480		787
Hedging fair value reserve			(171)		(856)
Shareholders' funds			<u>1,309</u>		<u>(69)</u>

The notes on pages 9-15 form part of the financial statements.

The financial statements were approved by the board of directors on: 2nd August 2018



Kian Tiong Alfred Ong
Director

Company registration no. 05926753

The Cavendish Hotel (London) Limited

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

	Share Capital £'000	Other reserves £'000	Profit and loss account £'000	Total Shareholders' funds £'000
At 1 January 2016	-	(240)	653	413
Profit for the year	-	-	134	134
Change in fair value of financial derivatives	-	(616)	-	(616)
At 31 December 2016	-	(856)	787	(69)
At 1 January 2017	-	(856)	787	(69)
Profit for the year	-	-	1,693	1,693
Dividends declared	-	-	(1,000)	(1,000)
Change in fair value of financial derivatives	-	685	-	685
Balance as at 31 December 2017	-	(171)	1,480	1,309

Company registration no. 05926753

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

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

Disclosures in respect of related parties

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 for the purposes of the transition to FRS 101.

The company has net current liabilities of £100.3m as at 31 December 2017 (2016 net current assets: £1.7m). This increase in net current liabilities from prior year is due to current loan held with DBS bank maturing on 5th May 2018 (see note 17). The company has refinanced via new loan on the 5th May 2018 and has complied with covenants as required by the loan.

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 2017

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 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.

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.

Derivative financial instruments

The Company has entered into interest rate swap instruments in order to hedge its exposure to increases in LIBOR, to which the interest payable on its bank loans is fixed. This use of such derivative instruments is consistent with the risk management strategy of the wider group of which the company is part.

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 Company obtains external advice on valuations.

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2 Operating profit

	2017 £'000	2016 £'000
Operating profit is stated after charging :		
Auditor's remuneration for audit services	22	22
Operating lease expense	28	28
Depreciation of tangible fixed assets	1,138	1,113
Depreciation on disposals	(32)	-

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

3 Directors' emoluments

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.

4 Employee information

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

	2017 £'000	2016 £'000
Sales and operations	79	89
Administration	8	8
	<u>87</u>	<u>97</u>

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

	2017 £'000	2016 £'000
Wages and salaries	1,924	2,069
Social security costs	190	178
Pension costs	32	37
	<u>2,146</u>	<u>2,284</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

	2017 £'000	2016 £'000
Interest payable on bank loan	(3,178)	(3,189)
Interest payable on loans from related parties	(241)	(273)
Amortisation of bank loan arrangement fee	(246)	(246)
	<u>(3,665)</u>	<u>(3,708)</u>
Bank interest receivable	4	-
	<u>(3,661)</u>	<u>(3,708)</u>

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

6 Taxation on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax charge	581	347
Tax charge on profit on ordinary activities	581	347
Profit on ordinary activities before tax	2,274	481
Standard rate of corporation tax in the UK	19.25%	20.00%
Profit multiplied by the standard rate of corporation tax	438	96
Effects of :		
Expenses not deductible for tax purposes	257	329
Capital allowances	(48)	(53)
Adjustment from previous year	(66)	(25)
Total tax charge	581	347

Factors that affect future tax charges

Reductions in the UK corporation tax from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

This will reduce the Company's future current tax charge accordingly.

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

7 Tangible fixed assets

	Long Leasehold buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2017	124,092	4,628	128,720
Additions	267	575	842
Disposals	(110)	-	(110)
At 31 December 2017	124,249	5,203	129,452
Accumulated depreciation			
At 1 January 2017	(14,160)	(4,203)	(18,363)
Charge for the period	(893)	(245)	(1,138)
Disposals	32	-	32
At 31 December 2017	(15,021)	(4,448)	(19,469)
Net book value			
At 31 December 2017	109,228	755	109,983
At 1 January 2017	109,932	425	110,356

8 Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	12	12
Finished goods and goods for resale	12	17
	24	29

9 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year		
Trade debtors	595	427
Prepayments	374	356
	969	783

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

10 Creditors

a) amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	(424)	(514)
Taxation and social security	(697)	(399)
Accruals and deferred income	(1,989)	(2,177)
Derivative liability	(170)	(855)
External bank loan	(103,220)	-
	(106,500)	(3,945)

b) amounts falling due after more than one year

	2017 £'000	2016 £'000
External bank loan	-	(102,849)
Amount owing to group undertaking	(8,400)	(9,300)
	(8,400)	(112,149)

At the balance sheet date the Company had bank loans and loans due to group undertakings totalling £111,620,000 (2016: £112,149,000). The details of these loans are set out in the tables above. The loan from DBS Bank and associated interest rate swaps expired on 5 May 2018 and were replaced with loans on similar terms from OCBC Bank. Further information about the new loans is provided in note 17. The Company complied with all loan covenants throughout the period and up to the balance sheet date.

11 Deferred taxation

The potential deferred tax asset not recognised is as follows:

	2017 £'000	2016 £'000
Depreciation in excess of capital allowances	732	579
Losses carried forward	104	104
	836	683

12 Share capital

	2017	2016
Issued and fully paid up		
1 ordinary share of £1	£1	£1

The Cavendish Hotel (London) Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

13 Lease commitments

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

	2017 £'000	2016 £'000
After 5 years	28	28
	28	28

14 Pensions

The company has established personal pension schemes approved under the stakeholder pension rules. The contributions made by the company for the year amounted to £32,000 (2016: £37,000). The value of pension costs outstanding at the year-end was £nil (2016: £nil).

15 Related party transactions

The Cavendish Hotel (London) Limited takes advantage of the related party exemption within IAS 24 in not disclosing transactions or balances with an entity which has control, joint control or significant influence over the entity or is another entity that is under the control, joint control or significant influence of the same government as the entity.

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.

17 Subsequent Events

On 4 May 2018, the Company refinanced bank loans totalling £103.2m. The new facilities are comprised of a revolving credit facility of £20m and a 5 year term loan facility of £83.2m both with a margin of 1.25% over LIBOR. The loan arrangement incurred arrangement fees of £0.3m - the expense of which will be spread equally across the 5 year life of the loan.

At the same time, interest rate swaps in relation to the previous loan facilities expired. The Company has not, at the date of this report, entered into any hedging arrangement for the new loan facilities. This position is the subject of ongoing review by the Directors.