

APARTHOTEL CANNON STREET LIMITED

(formerly SACO CANNON STREET LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



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APARTHOTEL CANNON STREET LIMITED (formerly SACO CANNON STEET LIMITED)

COMPANY INFORMATION

Directors	L B Brinkmann S McCall
Company secretary	Intertrust (UK) Limited
Registered number	09175058
Registered office	6 th Floor Embassy House Queens Avenue Bristol BS8 1SB
Independent auditor	BDO LLP Bridgewater House Counterslip Bristol BS1 6BX

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors present their annual report and the audited financial statements for Aparthotel Cannon Street Limited for the year ended 31 December 2019.

Aparthotel Cannon Street Limited (the "Company") formerly SACO Cannon Street Limited changed name on 11 November 2019.

The principal activity of the company is to provide property, which is operated by a provider of serviced accommodation.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 accounting estimates that are reasonable and prudent;
- 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.

Directors

The Directors who served during the year and up to the date of approval of these financial statements unless otherwise stated were:

L B Brinkmann
S McCall

Post balance sheet events

(i) Appointment of auditor

BDO LLP was appointed as auditor on 22 April 2020 following the resignation of Deloitte LLP.

(ii) Covid-19 impact on business performance

Subsequent to the year end, and as discussed in note 2 to these financial statements: Basis of preparation of financial statements, the onset of the Covid-19 pandemic has had a profound impact on the Company, and wider UK economy. In accordance with FRS101, this is considered to be a non-adjusting event after the end of the reporting period that is not indicative of conditions that existed at the end of the reporting period.

The board has considered the existence of material impacts on assets and liabilities of the business as reported as at the balance sheet date. In general, whilst property values may have been impacted by Covid-19, the location of the properties and the expected return to normal trading in the medium term lead the directors to conclude that the core operating assets are considered not to be subject to material impairments as a result of COVID-19.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Going concern

Uncertainty due to the recent COVID-19 outbreak has been considered as part of the company's adoption of the going concern basis. The pandemic has had an adverse impact on the hospitality industry, as at the date of approving these financial statements, the impact of COVID-19 on the Company's trading is continually being assessed and subject to rapid change. By virtue of its business model the company has remained more resilient to the downturn than other businesses in the hospitality industry. Despite that the company has seen a reduction in revenues and forecasts a continued impact on demand versus pre COVID-19 levels into 2021.

As at 31 December 2019 the company is in a net current liabilities position of £18,143,000 (2018 restated: £18,749,000), which includes £18,031,000 (2018: £18,469,000) of amounts due to group undertakings. Because of the above conditions, the company is dependent on the group not calling on this debt. To support financing requirements, post year-end the directors have received confirmation in writing from Aparthotel Holdings I SARL that the amounts owed to it will not be recalled within 12 months of signing of these financial statements. The company meets its day-to-day working capital requirements through its trade and its balances with other group companies. The company's forecasts and projections take account of reasonably possible changes in trading performance and availability of finance show that the company is able to operate within the level of its current funding. In a downside scenario the Company may need additional funding from the Group.

In response to the pandemic, the Group has taken appropriate measures to reduce the impact of COVID-19 including cost reduction. In addition, the Group has re-negotiated its loan covenants to ensure the adverse impact of COVID-19 on trading does not create any additional liquidity issues. The Group continues to manage its cash flow requirements by minimising the impact of COVID-19 on its performance, utilising existing available cash across the group, utilising existing financing facilities and exploring the opportunity to raise additional financing. The Group also has a supportive shareholder who is committed to the long-term success of the Group and continues to make working capital available as needed.

The Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However the events arising as a result of COVID-19 outbreak has meant that there is a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of directors which were made during the year and remain in force at the date of this report.

Disclosure of information to the auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that Director has taken all steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(5) of the Companies Act 2006.

Independent auditor

BDO LLP was appointed as auditor to the Company on 22 April 2020 following the resignation of Deloitte LLP.

Under section 487(2) of the Companies Act 2006, BDO LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Small companies' exemption

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

This report was approved by the board and signed on its behalf.



S McCall
Director

Date: 24 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APARTHOTEL CANNON STREET LIMITED

Opinion

We have audited the financial statements of Aparthotel Cannon Street Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 to the Company's financial statements which describes how the ability of the Company to continue as a going concern is affected by the potential impacts of the COVID-19 pandemic on both the Company and the wider group. The Company is dependent on the group not calling on debt. Given the impact of COVID-19 on the wider group, the Company could be required to secure additional funding, which is not guaranteed. These events indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the prior period were audited by a predecessor auditor. The opinion expressed by the predecessor auditor was unmodified and the audit report was dated 25 June 2019.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APARTHOTEL CANNON STREET LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

BDO LLP

Andrea Bishop (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Bristol, UK

24 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019 £000s	RESTATED Year ended 31 December 2018 £000s
	Note		
Turnover	5	2,455	2,566
Gross profit		2,455	2,566
Administrative expenses		(228)	(209)
Gain on revaluation	7	613	4,118
Operating profit		2,840	6,475
Interest payable and similar expenses	8	(2,164)	(2,201)
Profit before taxation		676	4,274
Tax (charge)/credit	9	(156)	150
Profit for the financial year		520	4,424
Total comprehensive income for the year		520	4,424

Turnover and operating profit are all derived from continuing operations.

The notes on pages 10 to 23 form part of these financial statements. Please refer to note 2 for details of the restatement of the 2018 figures.

APARTHOTEL CANNON STREET LIMITED (formerly SACO CANNON STEET LIMITED)

Registered number: 09175058

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	31 December 2019 £000	RESTATED 31 December 2018 £000
Non-Current Assets			
Investment property	10	38,560	37,930
Tangible assets	11	336	396
		<u>38,896</u>	<u>38,326</u>
Current assets			
Debtors	12	849	567
Cash at bank and in hand	13	591	472
		<u>1,440</u>	<u>1,039</u>
Creditors: amounts falling due within one year	14	(19,583)	(19,788)
Net current liabilities		<u>(18,143)</u>	<u>(18,749)</u>
Total assets less current liabilities		20,753	19,577
Creditors: amounts falling due after more than one year	15	(18,135)	(17,635)
Deferred tax	17	(784)	(628)
Net assets		<u>1,834</u>	<u>1,314</u>
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account	19	1,834	1,314
Total equity		<u>1,834</u>	<u>1,314</u>

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



S McCall
Director

Date: 24 September 2020

The notes on pages 10 to 23 form part of these financial statements. Please refer to note 2 for the details of the restatement of the 2018 figures.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2019	-	1,314	1,314
Comprehensive income for the year			
Profit for the year	-	520	520
Total comprehensive income for the year	-	520	520
At 31 December 2019	-	1,834	1,834

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up Share capital	Profit and loss account	Total equity (as restated)
	£000	£000	£000
At 1 January 2018	-	(3,565)	(3,565)
Prior year adjustment	-	455	455
At 1 January 2018 (as restated)	-	(3,110)	(3,110)
Comprehensive income for the year			
Profit for the year	-	4,424	4,424
Total comprehensive income for the year	-	4,424	4,424
At 31 December 2018	-	1,314	1,314

The notes on pages 10 to 23 form part of these financial statements. Please refer to note 2 for the details of the restatement of the 2018 figures.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General Information

Aparthotel Cannon Street Limited (the "Company") formerly SACO Cannon Street Limited changed name on 11 November 2019. The Company is principally engaged in providing a property which is operated by a provider of serviced accommodation.

The Company is a private company limited by shares. It is incorporated under the Companies Act 2006 and registered in England and Wales. The address of the registered office is 6th Floor, Embassy House, Queens Avenue, Bristol BS8 1SB.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

2. Basis of preparation of financial statements

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets and certain related party transactions. Further exemptions are detailed in section 3.2.

The financial statements have been prepared on the historical cost basis except for the revaluation of investment property that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Prior year misstatement

An error has been identified regarding the accounting treatment of the finance lease and investment property revaluation.

In February 2018, the Company was acquired by Brookfield Asset Management and consequently the finance lease was revalued to £28,292,000 based on the property's trading potential. In addition to this, the incremental borrowing rate was revised from 9.62% to 7.48%. This was a consolidation adjustment on acquisition to be reflected through the parent company's financial statements and should not have been reflected in Aparthotel Cannon Street.

There was also an error in the present value calculation of the finance lease, which assumed rental payments were made annually instead of quarterly.

This resulted in a reduction of the obligations under the finance lease and investment property by £10,097,000. A reduction in the gain on revaluation by £802,000, a reduction to the tax charge of £1,784,000, and increases to the interest on obligations under finance lease of £347,000 and brought forward profit loss account at 1 January 2018 of £455,000.

The transactions have been restated in the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity.

Going concern

Uncertainty due to the recent COVID-19 outbreak has been considered as part of the company's adoption of the going concern basis. The pandemic has had an adverse impact on the hospitality industry, as at the date of approving these financial statements, the impact of COVID-19 on the Company's trading is continually being assessed and subject to rapid change. By virtue of its business model the company has remained more resilient to the downturn than other businesses in the hospitality industry. Despite that the company has seen a reduction in revenues and forecasts a continued impact on demand versus pre COVID-19 levels into 2021.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Basis of preparation of financial statements (continued)

Going concern (continued)

As at 31 December 2019 the company is in a net current liabilities position of £18,143,000 (2018 restated: £18,749,000), which includes £18,031,000 (2018: £18,469,000) of amounts due to group undertakings. Because of the above conditions, the company is dependent on the group not calling on this debt. To support financing requirements, post year-end the directors have received confirmation in writing from Aparthotel Holdings I SARL that the amounts owed to it will not be recalled within 12 months of signing of these financial statements. The company meets its day-to-day working capital requirements through its trade and its balances with other group companies. The company's forecasts and projections take account of reasonably possible changes in trading performance and availability of finance show that the company is able to operate within the level of its current funding. In a downside scenario the Company may need additional funding from the Group.

In response to the pandemic, the Group has taken appropriate measures to reduce the impact of COVID-19 including cost reduction. In addition, the Group has re-negotiated its loan covenants to ensure the adverse impact of COVID-19 on trading does not create any additional liquidity issues. The Group continues to manage its cash flow requirements by minimising the impact of COVID-19 on its performance, utilising existing available cash across the group, utilising existing financing facilities and exploring the opportunity to raise additional financing. The Group also has a supportive shareholder who is committed to the long-term success of the Group and continues to make working capital available as needed.

The Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However the events arising as a result of COVID-19 outbreak has meant that there is a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

3. Significant accounting policies

3.1 Adoption of new and revised standards

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The company has chosen not to restate comparatives on adoption of this standard, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact this standard has had are given below. Other new and amended standards and interpretations did not impact the company as they are either not relevant to the company's activities or require accounting which is consistent with the company's current accounting policies.

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. Details of these new requirements are described in Note 3. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

Impact of initial application of IFRS 16 Leases

The date of initial application of IFRS 16 for the Company is 1 January 2019.
The Company has applied IFRS 16 using the modified retrospective approach which:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Significant accounting policies (continued)

3.1 Adoption of new and revised standards (continued)

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application;
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on lessee accounting

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

3.2 Financial reporting standard 101 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 76 and 79(d) of IAS 40 Investment Property
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which a party to the transaction is wholly owned by such a member
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

Where relevant, equivalent disclosures are given in the group accounts of Brookfield Property Partners LP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Significant accounting policies (continued)

3.3 Investment property

Investment property is initially recognised at cost.

Investment property is subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. As the value of the property is net of all payments expected to be made, the lease liability recognised in respect of the property is added back in order to arrive at the carrying amount of the investment property using the fair value model. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

3.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Impairment provisions for current and non-current trade debtors are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade debtors is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade debtors. For trade debtors, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade debtor will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

3.5 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.6 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.7 Revenue

Revenue relates to rental income generated by the investment property.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Significant accounting policies (continued)

3.7 Revenue (continued)

The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

3.8 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised.

Depreciation is charged to allocate the cost of assets less their residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated lease, if shorter, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings - 7 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.

3.9 Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Company assesses whether a contract is or contains a lease, at inception of the contract.

The company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The company obtains substantially all the economic benefits from use of the asset; and
- (c) The company has the right to direct use of the asset.

The company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the company obtains substantially all the economic benefits from use of the asset, the company considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 31 DECEMBER 2019**

3. Significant accounting policies (continued)

3.9 Leases (continued)

In determining whether the company has the right to direct use of the asset, the company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the company applies other applicable IFRSs rather than IFRS 16.

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the contractual payments due to the lessor over the lease term, discounted by using the rate implicit in the lease unless (as is typically the case) this is not readily determinable. If this rate cannot be readily determined, the Company uses its incremental borrowing rate on commencement of the lease.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company made no such adjustments in the year.

The right-of-use asset is an investment property, this is recognised separately in the statement of financial position. Note 3.3 details the accounting policy in relation to the investment property.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Significant accounting policies (continued)

3.9 Leases (continued)

Policies applicable prior to 1 January 2019.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company has one lease in relation to the investment property held.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. Contingent rentals are recognised as expenses in the periods in which they are incurred.

3.10 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Group relief is surrendered or received for nil consideration.

4. Critical accounting judgements in applying accounting policies and key sources of estimation uncertainty

Key estimates and critical judgements which have a significant impact on the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the key areas the Directors have identified:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Critical accounting judgements in applying accounting policies and key sources of estimation uncertainty (continued)

4.1 Critical judgements

Recoverability of amounts due from group undertakings

The Company assesses on a forward-looking basis, the expected credit losses associated with its amounts due from group undertakings.

4.2 Key sources of estimation uncertainty

The investment property has been reviewed by an independent valuer and the fair value as of 31 December 2019 has been assessed and included in the statutory accounts. The valuation was derived using a combination of:

- discounted cash flow comprising an estimation of the serviced apartment scheme's future net income; and
- comparable recent market transactions on arm's length terms.

This method included assumptions on future occupancy rates and prices, capitalisation rate and discount rate.

5. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

All turnover arose within the United Kingdom.

6. Auditor's remuneration

The Company paid the following amounts to its auditor in respect of the audit of the financial statements provided to the Company:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Fee for audit of the Company's annual accounts	12	9

7. Gain on revaluation

	Year ended 31 December 2019 £000	Restated Year ended 31 December 2018 £000
Gain on revaluation of Investment property	613	4,118
	613	4,118

The investment property was revalued on an open market by Cushman & Wakefield (independent valuers), resulting in a gain on revaluation of £613,000. Further details are provided in disclosure note 10.

Please refer to note 2 for details of the restatement of 2018 figures.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Interest payable and similar expenses

	Year ended 31 December 2019 £000	Restated Year ended 31 December 2018 £000
Interest payable on lease liabilities	1,808	-
Interest on obligations under finance leases	-	1,764
Bank interest payable	-	53
Interest on loan from group undertakings	356	384
	<u>2,164</u>	<u>2,201</u>

Please refer to note 2 for details of the restatement of 2018 figures.

9. Tax on profit

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Total corporation tax	-	-

	Year ended 31 December 2019 £000	Restated Year ended 31 December 2018 £000
Deferred tax		
Current year	155	(152)
Adjustments in respect of prior periods	1	2
Total deferred tax charge/(credit)	<u>156</u>	<u>(150)</u>
Total tax charge/(credit)	<u>156</u>	<u>(150)</u>

Please refer to note 2 for details of the restatement of 2018 figures.

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19%. The differences are explained below:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Tax on profit (continued)

	Year ended 31 December 2019 £000	Restated Year ended 31 December 2018 £000
Profit before taxation	676	4,274
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	128	812
Effects of:		
Expenses not deductible for tax purposes	14	11
Income not taxable for tax purposes	(120)	(783)
Chargeable gains	114	378
Group relief surrendered	82	120
Adjustments in respect of prior periods	1	2
Temporary differences in deferred tax not recognised	-	(687)
Adjusted deferred tax to average rate of 19%	(23)	16
Deferred tax not recognised	-	(19)
Recognition of deferred tax on losses	(40)	-
Total tax charge/(credit) for the year	156	(150)

Please refer to note 2 for details of the restatement of 2018 figures.

Factors that may affect future tax charges

Reductions in the UK corporation tax rate 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. Deferred tax at 31 December 2019 has been calculated based on these rates. The 2020 Budget Resolution to retain the 19% corporate tax rate from 1 April 2020 was passed on 17 March 2020 and as such the 19% rate can be treated as substantively enacted from that date. The impact of retaining the 19% rate is expected to be immaterial.

10. Investment property

	2019 £000	Restated 2018 £000
At 1 January	37,930	34,267
Gain on revaluation	613	4,118
Reclassification to fixtures and fittings	-	(455)
Release of retention agreement	17	-
At 31 December	38,560	37,930

Please refer to note 2 for details of the restatement of 2018 figures.

The 2019 valuations were made by Cushman & Wakefield (independent valuers not connected with the Company), on an open market value for existing use basis as at 31 December 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Investment property (continued)

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured at £35,554,916 (2018: £35,814,190). Investment cost includes £3,615,000 of capitalised interest (2018: £3,615,000).

Rental income from the investment property recognised in the statement of comprehensive income in the year amounted to £2,455,000 (2018: £2,566,000). Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year amount to £nil (2018: £nil).

11. Tangible Fixed Assets

	Fixtures and fittings £000
Cost	
At 1 January 2019	466
Additions	28
As at 31 December 2019	<u>494</u>
Accumulated depreciation	
At 1 January 2019	(70)
Charge for the year	(88)
At 31 December 2019	<u>(158)</u>
Net book value	
At 31 December 2019	<u>336</u>
At 31 December 2018	<u>396</u>

12. Debtors: Amounts due within one year

	2019 £000	2018 £000
Other debtors	3	7
Prepayments and accrued income	307	298
Amounts owed by group undertakings	539	232
	<u>849</u>	<u>537</u>

Amounts owed by group undertakings bear interest at a rate of 5.785% and are repayable on demand.

13. Cash at bank and in hand

	2019 £000	2018 £000
Cash at bank	<u>591</u>	<u>472</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Creditors: amounts falling due within one year

	2019 £000	Restated 2018 £000
Trade creditors	9	4
Amounts owed to group undertakings	18,031	18,469
Obligations under finance lease	-	1,295
Accruals	29	20
Lease liabilities	1,308	-
Other creditors	206	-
	19,583	19,788

Please refer to note 2 for details of the restatement of 2018 figures.

Amounts owed to group undertakings include a £9m interest-free loan and a £6.5m loan bearing interest at LIBOR +2.7%, both repayable on demand. The remaining amounts owed to group undertakings bear interest at a rate of 5.785% and are repayable on demand.

15. Creditors: amounts falling due after more than one year

	2019 £	Restated 2018 £
Obligations under finance leases	-	17,635
Lease liabilities	18,135	-
	18,135	17,635

Please refer to note 2 for details of the restatement of 2018 figures.

16. Analysis of lease liabilities

	2019 £000	Restated 2018 £000
Amount due for settlement		
Within one year	1,308	1,295
Between 2-5 years	5,884	5,695
Over 5 years	825,127	826,623
	832,319	833,613
The present value of minimum lease payments is analysed as follows:		
Within one year	1,262	1,250
Between 2-5 years	4,490	4,333
Over 5 years	13,691	13,347
	19,443	18,930

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Analysis of lease liabilities (continued)

The total cash outflow for leases during the year was £1,297,373.

The remaining lease term at December 2019 is 114 years with an effective borrowing rate of 9.62% (2018: 9.62% restated). All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

Please refer to note 2 for details of the restatement of 2018 figures.

17. Deferred taxation

	2019 £000	Restated 2018 £000
At 1 January	628	778
Charged/(credited) to the profit or loss	156	(150)
At 31 December	784	628

The provision for deferred taxation is made up as follows:

	2019 £000	Restated 2018 £000
Fixed assets temporary differences	(384)	(290)
Capital gains	(441)	(338)
Losses and other deductions	41	-
Total deferred tax liability	(784)	(628)

18. Called up share capital

Authorised	2019 £000	2018 £000
1 Ordinary share of £1	-	-

Allotted, called up and fully paid	2019 £000	2018 £000
1 Ordinary share of £1	-	-

One share carries one vote, and full rights to dividends and capital distributions (including upon winding up).

19. Reserves

Profit and loss account

The profit and loss account represents the accumulated profits, losses, and distributions of the Company.

20. Post balance sheet events

Subsequent to the year end, and as discussed in note 2 to these financial statements: Basis of preparation of financial statements, the onset of the Covid-19 pandemic has had a profound impact on the Company, and wider UK economy. In accordance with FRS101, this is considered to be a non-adjusting event after the end of the reporting period that is not indicative of conditions that existed at the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. Post balance sheet events (continued)

The board has considered the existence of material impacts on assets and liabilities of the business as reported as at the balance sheet date. In general, whilst property values may have been impacted by Covid-19, the location of the properties and the expected return to normal trading in the medium term lead the directors to conclude that the core operating assets are considered not to be subject to material impairments as a result of COVID-19.

21. Controlling party

The immediate parent company is Edyn Serviced Apartment Holdings Sàrl, which is registered in Luxembourg.

The ultimate parent undertaking and controlling party, prior to acquisition on 26th February 2018, was Oaktree Capital Group, LLC which is registered in the United States of America. From acquisition this is Brookfield Asset Management Inc, a company incorporated in Canada.

The smallest group to consolidate these financial statements is Brookfield Property Partners LP, a company incorporated in the United States of America, registered address is 73 Front Street, 5th Floor, Hamilton, HM 12 Bermuda. Copies of the financial statements of Brookfield Property Partners LP can be obtained from the company secretary at One Canada Square, Level 25, Canary Wharf, London, E14 5AA.

The largest group in which the results of the Company are consolidated is that headed by Brookfield Asset Management Inc. The consolidated financial statements of Brookfield Asset Management Inc. are available to the public on request and may be obtained from Brookfield Place, Suite 300, 181 Bay Street, Toronto, ON M5J 2T3 (registered office).