Registered number: 09175058

APARTHOTEL CANNON STREET LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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APARTHOTEL CANNON STREET LIMITED

COMPANY INFORMATION

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

APARTHOTEL CANNON STREET LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their annual report and the audited financial statements for Aparthotel Cannon Street Limited for the year ended 31 December 2020.

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

There were no post balance sheet events.

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 2020 the company is in a net current liabilities position of £17,385,000 (2019: 18,143,000), which includes £16,685,000 (2019: £18,031,000) 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.

Going concern (continued)

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

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.

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: 26 May 2021

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

Opinion on the 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 2020 and of its loss 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.

We have audited the financial statements of Aparthotel Cannon Street Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive income, the Statement of Financial Position, the Statement of Changes in Equity and 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).

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 and on continuing to provide the Company with cash to meet its liabilities. 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.

Emphasis of Matter - material uncertainty related to valuation of investment property

We draw attention to note 11 to the Company's financial statements which describes how, in light of the negative impact of COVID-19 on the availability of relevant market evidence, the independent valuers of the investment property have included a materiality uncertainty clause in respect of the valuation. Our opinion is not modified in respect of this matter.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

Other Companies Act 2006 reporting

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.

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.
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and 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 Statement of Directors' Responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- obtaining an understanding of the legal and regulatory frameworks that are applicable to the Company. These include, but are not limited to, compliance with the Companies Act, United Kingdom Generally Accepted Accounting Practice and tax legislation.

- making enquiries of management of the policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

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

Auditor's responsibilities for the audit of the financial statements (continued)

- making enquires of other personnel with roles relevant to compliance with laws and regulations

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur in the financial statements and any potential indicators of fraud. We identified potential for fraud in the following areas and performed the following procedures:
    - management override of controls: we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates and judgements. Audit procedures performed included:
        - challenging assumptions made by management in their significant accounting estimates in particular in relation to the valuation of investment properties and the discount rate applied to future cash flows;
        - identifying and testing journal entries, in particular any journal entries to revenue which are not in line with expectations and reviewing journal entries for journals inconsistent with the usual transactions of the Company;
    - revenue recognition: application of cut off. We recalculated rental income to check that the associated revenue is reflected in the correct period;
    - communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

DocuSigned by:
Andrea Bishop
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Andrea Bishop (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Bristol, UK

26 May 2021

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

APARTHOTEL CANNON STREET LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000s	2019 £000s
Turnover	5	1,317	2,455
Gross profit		**1,317**	2,455
Other operating income	6	1,030	-
Administrative expenses		(203)	(228)
(Loss) / gain on revaluation	8	(3,865)	613
Operating (loss) / profit		**(1,721)**	**2,840**
Interest payable and similar expenses	9	(2,168)	(2,164)
(Loss) / income before taxation		**(3,889)**	**676**
Tax (charge)	10	268	(156)
(Loss) / income for the financial year		**(3,621)**	**520**
Total comprehensive (loss) / income for the year		**(3,621)**	**520**

Turnover and operating profit are all derived from continuing operations.

The notes on pages 10 to 21 form part of these financial statements.

APARTHOTEL CANNON STREET LIMITED

Registered number: 09175058

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note		31 December 2020 £000		31 December 2019 £000
Non-Current Assets					
Investment property	11		34,695		38,560
Tangible assets	12		285		336
			34,980		38,896
Current assets					
Debtors	13	388		849	
Cash at bank and in hand	14	565		591	
		953		1,440	
Creditors: amounts falling due within one year	15	(18,338)		(19,583)	
Net current liabilities			**(17,385)**		**(18,143)**
Total assets less current liabilities			**17,595**		**20,753**
Creditors: amounts falling due after more than one year	16		(18,596)		(18,135)
Deferred tax	18		(516)		(784)
Net (liabilities) / assets			**(1,517)**		**1,834**
Capital and reserves					
Called up share capital	19		270		-
Profit and loss account	20		(1,787)		1,834
Total equity			**(1,517)**		**1,834**

The notes on pages 10 to 21 form part of these financial statements.

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

S McCall
Director

Date: 26 May 2021

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

		Called up Share capital	Profit and loss account	Total equity
		£000	£000	£000
At 1 January 2020		-	1,834	1,834
Comprehensive loss for the year				
Loss for the year		-	(3,621)	(3,621)
Total comprehensive loss for the year		-	(3,621)	(3,621)
Shares issued	19	270	-	270
At 31 December 2020		**270**	**(1,787)**	**(1,517)**

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**

The notes on pages 10 to 21 form part of these financial statements.

1. General Information

Aparthotel Cannon Street Limited (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 3.1.

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.

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 2020 the company is in a net current liabilities position of £17,385,000 (2019: 18,143,000), which includes £16,685,000 (2019: £18,031,000) 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 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.

3.2 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.

3.3 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. Significant accounting policies (continued)

3.4 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.

3.5 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.

3.6 Turnover

Turnover relates to rental income generated by the investment property.

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

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

Rendering of services

Turnover 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 turnover 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.

3.7 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. Significant accounting policies (continued)

3.8 Leases

The Company as lessee
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.

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.

3. Significant accounting policies (continued)

3.8 Leases (continued)

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 3.2 details the accounting policy in relation to the investment property.

3.9 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:

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 2020 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. Other operating income

Other operating income of £1,030,000 (2019: £nil) relates to a business interruption insurance receipt received due to the negative impacts of the pandemic on trading performance.

7. 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:

	2020	2019
	£000	£000
Fee for audit of the Company's annual accounts	12	12

8. (Loss)/gain on revaluation

	2020	2019
	£000	£000
(Loss)/gain on revaluation of Investment property	(3,865)	613
	(3,865)	613

The investment property was revalued in 2020 on an open market by CBRE (independent valuers), resulting in a loss on revaluation of £3;865,258. Further details are provided in disclosure note 11.

9. Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on lease liabilities	1,858	1,808
Interest on loan from group undertakings	310	356
	2,168	2,164

10. Tax on profit

	2020 £000	2019 £000
Total corporation tax	-	-

	2020 £000	2019 £000
Deferred tax		
Current year	(356)	155
Adjustments in respect of prior periods	(4)	1
Effect of tax rate change on opening balance	92	-
Total deferred tax charge/(credit)	(268)	156
Total tax charge/(credit)	(268)	156

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% (2019: 19%) differences are explained below:

10. Tax on profit (continued)

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
(Loss)/profit before taxation	(3,889)	676
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	(739)	128
Effects of:		
Expenses not deductible for tax purposes	-	14
Income not taxable for tax purposes	-	(120)
Chargeable gains	242	114
Group relief surrendered	(270)	82
Adjustments in respect of prior periods	(4)	1
Remeasurement of deferred for changes in rates	92	-
Adjusted deferred tax to average rate of 19%	-	(23)
Deferred tax not recognised	411	-
Recognition of deferred tax on losses	-	(40)
Total tax charge for the year	(268)	156

Factors that may affect future tax charges

The main rate of corporation tax was set at 19% from 1 April 2017. The 2021 Budget Resolution announced an increase to 25% from 1 April 2023, however this has not yet been substantially enacted. The impact of retaining the 19% rate is expected to be immaterial.

11. Investment property

	2020 £000	2019 £000
At 1 January	38,560	37,930
(Loss)/gain on revaluation	(3,865)	613
Release of retention agreement	-	17
At 31 December	**34,695**	**38,560**

The 2020 valuations were made by CBRE (independent valuers not connected with the Company), on an open market value for existing use basis as at 31 December 2020. In light of the negative impact of COVID-19 on the availability of relevant market evidence, the independent valuers have included a material uncertainty clause in respect of the valuation. The Directors still consider this to be the best estimate of the property valuation as at 31 December 2020.

11. Investment property (continued)

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured at £35,291,291 (2019: £35,554,916). Investment cost includes £3,615,000 of capitalised interest (2019: £3,615,000).

Rental income from the investment property recognised in the statement of comprehensive income in the year amounted to £2,361,000 (2019: £2,455,000). Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year amount to £nil (2019: £nil).

12. Tangible Fixed Assets

	Fixtures and fittings £000
Cost	
At 1 January 2020	494
Additions	38
As at 31 December 2020	532
Accumulated depreciation	
At 1 January 2020	(158)
Charge for the year	(89)
At 31 December 2020	(247)
Net book value	
At 31 December 2020	285
At 31 December 2019	336

13. Debtors: Amounts due within one year

	2020 £000	2019 £000
Other debtors	44	3
Prepayments and accrued income	344	307
Amounts owed by group undertakings	-	539
	388	849

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

14. Cash at bank and in hand

	2020 £000	2019 £000
Cash at bank	565	591

15. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	20	9
Amounts owed to group undertakings	16,685	18,031
Accruals	125	29
Lease liabilities	1,397	1,308
Other creditors	111	206
	18,338	**19,583**

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.

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

	2020 £000	2019 £000
Lease liabilities	18,596	18,135
	18,596	**18,135**

17. Analysis of lease liabilities

Amount due for settlement	2020 £000	2019 £000
Within one year	1,400	1,308
Between 2-5 years	5,980	5,884
Over 5 years	822,602	825,127
	829,982	**832,319**

The present value of minimum lease payments is analysed as follows:	2020 £000	2019 £000
Within one year	1,349	1,262
Between 2-5 years	4,577	4,490
Over 5 years	14,069	13,691
	19,995	**19,443**

17. Analysis of lease liabilities (continued)

The total cash outflow for leases during the year was £1,307,750 (2019: £1,297,373).

The remaining lease term at December 2020 is 113 years with an effective borrowing rate of 9.62% (2019: 9.62%). All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

18. Deferred taxation

	2020 £000	2019 £000
At 1 January	784	628
Charged/(credited) to the profit or loss	(268)	156
At 31 December	516	784

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Fixed assets temporary differences	(516)	(384)
Capital gains	-	(441)
Losses and other deductions	-	41
Total deferred tax liability	(516)	(784)

19. Called up share capital

Authorised	2020 £000	2019 £000
270,001 (2019: 1) Ordinary shares of £1	270	-

Allotted, called up and fully paid	2020 £000	2019 £000
270,001 (2019: 1) Ordinary shares of £1	270	-

On the 16 September 2020, the company issued 270,000 ordinary shares at a par value of £1.

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

20. Reserves

Profit and loss account

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

21. Post balance sheet events

There were no post balance sheet events.

22. Controlling party

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

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).