

922947

REGISTRAR OF COMPANIES

Churchill Group Limited

Report and Financial Statements

Year ended

31 December 2005



BDO Stoy Hayward
Chartered Accountants

Churchill Group Limited

Annual report and financial statements for the year ended 31 December 2005

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Directors

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Directors

M A Cairns
S Moatassem
J O'Shea
J Rea

Secretary and registered office

S Moatassem, 30 Portman Square, London, W1A 4ZX.

Company number

922947

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Churchill Group Limited

Report of the directors for the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Dividends amounting to £4,724,000 have been paid during the year (2004 - £4,569,000). The directors do not recommend the payment of a final dividend.

Principal activities, review of business and future developments

The principal activity of the company is that of proprietor of the Hyatt Regency London - The Churchill.

Major refurbishment for the remainder of the building including major mechanical and engineering works will commence at the beginning of 2006.

Financial instruments

Details of the financial risk management objectives and policies and the use of financial instruments by the company are provided in note 19 to the financial statements.

Employment of disabled persons

The nature of the company's business is such that the duties of the majority of employees can only be performed by able-bodied people. Disabled people are not discriminated against when applying for suitable posts. Every effort is made to transfer employees becoming disabled to suitable posts within the company.

Employee involvement

The company's communications with employees are conducted informally through the established supervisory structure and also through an employee consultative committee.

Directors

The directors of the company during the year were:

M A Cairns
S Moatassem
J O'Shea
J Rea

No director had any beneficial interest in the shares of the company at any time during the year.

Churchill Group Limited

Report of the directors for the year ended 31 December 2005 (Continued)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

M Cairns



Director

Date

27/9/06.

Churchill Group Limited

Report of the independent auditors

To the shareholders of Churchill Group Limited

We have audited the financial statements of Churchill Group Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


Churchill Group Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

27 September 2006

Churchill Group Limited**Profit and loss account for the year ended 31 December 2005**

| | Note | 2005 £'000 | 2004 (restated) £'000 |
|--|------|---------------|-----------------------------|
| Turnover | 2 | 24,677 | 22,974 |
| Raw materials and consumables | | (1,024) | (1,042) |
| Other external charges | | (2,268) | (2,251) |
| Staff costs | 3 | (8,148) | (7,395) |
| Depreciation | | (981) | (912) |
| Other operating charges | | (6,360) | (6,354) |
| Operating profit | 4 | 5,896 | 5,020 |
| Interest receivable and similar income | 5 | 86 | 139 |
| Interest payable and similar charges | 6 | (585) | (526) |
| Profit on ordinary activities before taxation | | 5,397 | 4,633 |
| Taxation on profit from ordinary activities | 7 | (427) | (952) |
| Profit on ordinary activities after taxation | | 5,824 | 5,585 |

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 8 to 21 form part of these financial statements

Churchill Group Limited

Statement of total recognised gains and losses and reconciliation of movements in shareholders' funds for the year ended 31 December 2005

| | 2005 £'000 | 2004 (restated) £'000 |
|---|---------------|-----------------------------|
| Statement of total recognised gains and losses | | |
| Profit for the year | 5,824 | 5,585 |
| Actuarial gains and losses on defined benefit scheme | (1,067) | (1,583) |
| | <u>4,757</u> | <u>4,002</u> |
| Prior year adjustment | (5,036) | |
| | <u>(279)</u> | |
| Total recognised gains and losses since last financial statements | | |
| | <u>(279)</u> | |
| Reconciliation of movements in shareholders' funds | | |
| Opening shareholders' funds as previously stated | 30,511 | 30,095 |
| Prior year adjustment | (5,036) | (4,053) |
| | <u>25,475</u> | <u>26,042</u> |
| Opening shareholders' funds as restated | | |
| | <u>25,475</u> | <u>26,042</u> |
| Profit for the year | 5,824 | 5,585 |
| Dividends | (4,724) | (4,569) |
| | <u>1,100</u> | <u>1,016</u> |
| Other gains and losses relating to the year | (1,067) | (1,583) |
| | <u>33</u> | <u>(567)</u> |
| Net addition to (reductions)/shareholders' funds | | |
| | <u>33</u> | <u>(567)</u> |
| Closing shareholders' funds | <u>25,508</u> | <u>25,475</u> |

The notes on pages 8 to 21 form part of these financial statements

Churchill Group Limited

Balance sheet at 31 December 2005

| | Note | 2005 £'000 | 2005 £'000 | 2004 (restated) £'000 | 2004 (restated) £'000 |
|---|------|---------------|---------------|-----------------------------|-----------------------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 13,930 | | 13,060 |
| Current assets | | | | | |
| Stocks | 10 | 386 | | 382 | |
| Debtors - recoverable within one year | 11 | 2,676 | | 2,265 | |
| - recoverable in more than one year | 11 | 68,857 | | 62,200 | |
| Cash at bank and in hand | | 1,393 | | 2,445 | |
| | | <u>73,312</u> | | <u>67,292</u> | |
| Creditors: amounts falling due within one year | 12 | <u>56,911</u> | | <u>50,694</u> | |
| Net current assets | | | <u>16,401</u> | | <u>16,598</u> |
| Net assets excluding pension liability | | | <u>30,331</u> | | <u>29,658</u> |
| Pension liability | | | <u>4,823</u> | | <u>4,183</u> |
| | | | <u>25,508</u> | | <u>25,475</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 3,309 | | 3,309 |
| Profit and loss account | 14 | | 22,199 | | 22,166 |
| Shareholders' funds | | | <u>25,508</u> | | <u>25,475</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 27/9/06

M Cairns
Director



The notes on pages 8 to 21 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The company has adopted Financial Reporting Standard 17 'Retirement Benefits' in its entirety for the first time which has given rise to a prior year adjustment. The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Havana Holdings (UK) Limited and the company is included in consolidated financial statements.

Turnover

Turnover represents the invoiced value of goods and services, exclusive of VAT, provided to customers of The Churchill Hotel, Portman Square, London.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

| | |
|---|-----------------|
| Long leasehold land and buildings | - 50 years |
| Fixtures, fittings, tools and equipment | - 5 to 10 years |

Stocks

Stocks are valued at the lower of cost and net realisable value.

Foreign exchange

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

1 Accounting policies (Continued)

Leased assets

Annual rentals paid on operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

The company operates a defined benefit pension scheme.

For defined benefit schemes, pension scheme assets are measured using market values, and pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Previously the group accounted for pensions in accordance with SSAP 24 – Accounting for pension costs under which, for defined benefit schemes, the costs were the amounts which, based on actuarial assumption, would provide for the expected pension costs over the service lives of members at a level percentage of the pensionable payroll.

The effect of the accounting policy change on the comparatives is that net assets have been reduced by £5,036,000, and operating profit has increased by £223,000. Had SSAP 24 continued to be applied, then current year net assets would have been £5,486,000 greater, and operating profit would have been £159,000 lower.

Financial risk management

Exposure to movements in rates of foreign exchange in relation to trading transactions between the date that a contractual obligation is entered into and the date of completion of the contract is hedged through the use of currency asset and liability matching forward exchange contracts and other financial instruments where in the opinion of the directors the expected benefit exceeds the expected cost.

Exposure to movements in interest rates is reviewed regularly by the directors. The company utilises financial instruments to limited the company's exposure to movements in interest rates where in the opinion of the directors the expected benefits of such arrangements exceed the expected costs or at the request of the company's lenders.

Gains and losses arising on derivative instruments to hedge the company's exposure to transactions in foreign currencies are recognised in the profit and loss accounts when the hedge transaction is completed

Further information is provided in note 19 to the financial statements.

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Employees

| | 2005 £'000 | 2004 (restated) £'000 |
|---|---------------|-----------------------------|
| Staff costs (including directors) comprise: | | |
| Wages and salaries | 6,892 | 6,326 |
| Social security costs | 550 | 484 |
| Other pension costs | 706 | 585 |
| | <u>8,148</u> | <u>7,395</u> |

The average number of employees, including directors, during the year was 254 (2004 - 223).

No directors received any remuneration during the year (2004 - £Nil).

4 Operating profit

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| This has been arrived at after charging; | | |
| Depreciation - owned assets | 594 | 912 |
| Hire of other assets - operating leases | 675 | 672 |
| Auditors' remuneration | 23 | 36 |
| | <u></u> | <u></u> |

5 Other interest receivable and similar income

| | 2005 £'000 | 2004 £'000 |
|---------------|---------------|---------------|
| Bank deposits | 86 | 139 |
| | <u></u> | <u></u> |

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

6 Interest payable and similar charges

| | 2005 | 2004 (restated) |
|--|------------|--------------------|
| | £'000 | £'000 |
| Loans from group companies | 499 | 482 |
| Interest on pension scheme liabilities | 938 | 797 |
| Expected return on pension scheme assets | (859) | (753) |
| On corporation tax | 7 | - |
| | <u>585</u> | <u>526</u> |

7 Taxation on profit on ordinary activities

| | 2005 | 2004 (restated) |
|---|--------------|--------------------|
| | £'000 | £'000 |
| <i>Current tax</i> | | |
| UK corporation tax on profits of the year | - | - |
| Adjustment in respect of previous years | 40 | (337) |
| | <u>40</u> | <u>(337)</u> |
| Total current tax | 40 | (337) |
| Deferred tax - on defined benefit scheme | (274) | (421) |
| - other (note 11) | (193) | (194) |
| | <u>(427)</u> | <u>(952)</u> |
| Taxation on profit on ordinary activities | (427) | (952) |

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

7 Taxation on profit on ordinary activities (Continued)

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax | 5,397 | 4,633 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 – 30%) | 1,619 | 1,390 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 130 | 29 |
| Capital allowances for year in deficit of depreciation | 84 | 190 |
| Decrease in general bad debt provision | - | 2 |
| Group relief claimed | (413) | (308) |
| Transfer pricing adjustment | (1,350) | (1,249) |
| Difference between pension charge and amount paid | (70) | (54) |
| Adjustment to tax charge in respect of previous years | 40 | (337) |
| Current tax charge/(credit) for year | 40 | (337) |

8 Dividends

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Ordinary dividend paid 143p (2004 -138p) per share | 4,724 | 4,569 |

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

9 Tangible assets

| | Long leasehold land and buildings £'000 | Fixtures, fittings, tools and equipment £'000 | Total £'000 |
|-----------------------|---|---|----------------|
| <i>Cost</i> | | | |
| At 1 January 2005 | 12,198 | 17,046 | 29,244 |
| Additions | - | 1,851 | 1,851 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2005 | 12,198 | 18,897 | 31,095 |
| | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | |
| At 1 January 2005 | 1,239 | 14,945 | 16,184 |
| Provided for the year | 244 | 737 | 981 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2005 | 1,483 | 15,682 | 17,165 |
| | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | |
| At 31 December 2005 | 10,715 | 3,215 | 13,930 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2004 | 10,959 | 2,101 | 13,060 |
| | <hr/> | <hr/> | <hr/> |

10 Stocks

| | 2005 £'000 | 2004 £'000 |
|---------------------|---------------|---------------|
| Consumables | 7 | 6 |
| Goods for resale | 83 | 80 |
| Operating equipment | 296 | 296 |
| | <hr/> | <hr/> |
| | 386 | 382 |
| | <hr/> | <hr/> |

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

11 Debtors

| | 2005 | 2004 (restated) |
|--|--------|--------------------|
| | £'000 | £'000 |
| <i>Recoverable within one year:</i> | | |
| Trade debtors | 1,530 | 1,327 |
| Corporation tax | 184 | 110 |
| Other debtors | 22 | 111 |
| Deferred taxation | 523 | 330 |
| Prepayments and accrued income | 417 | 387 |
| | <hr/> | <hr/> |
| | 2,676 | 2,265 |
| | <hr/> | <hr/> |
| <i>Recoverable after more than one year:</i> | | |
| Amounts owed by parent undertakings | 68,857 | 62,200 |
| | <hr/> | <hr/> |
| | 71,533 | 64,465 |
| | <hr/> | <hr/> |

All amounts shown under debtors fall due for payment within one year.

| | Deferred taxation (restated) £'000 |
|--------------------------------|---|
| At 1 January 2005 | 330 |
| Released for year | 193 |
| | <hr/> |
| At 31 December 2005 | 523 |
| | <hr/> |
| <i>Deferred taxation</i> | |
| | 2005 |
| | 2004 (restated) |
| | Provided |
| | Provided |
| | £'000 |
| | £'000 |
| Decelerated capital allowances | 518 |
| Other timing difference | 5 |
| | <hr/> |
| | 523 |
| | <hr/> |
| | 330 |
| | <hr/> |

There is no unprovided deferred taxation.

Churchill Group LimitedNotes forming part of the financial statements for the year ended 31 December 2005 *(Continued)***12 Creditors: amounts falling due within one year**

| | 2005 | 2004 (restated) |
|-------------------------------------|---------------|--------------------|
| | £'000 | £'000 |
| Trade creditors | 903 | 780 |
| Amounts owed to parent undertakings | 37,621 | 32,198 |
| Loans from group undertakings | 16,570 | 16,070 |
| Taxation and social security | 821 | 652 |
| Other creditors | 125 | 71 |
| Accruals and deferred income | 871 | 923 |
| | <u>56,911</u> | <u>50,694</u> |

13 Share capital

| | Authorised, allotted, called up and fully paid | | | |
|----------------------------|--|------------------|---------------|---------------|
| | 2005 Number | 2004 Number | 2005 £'000 | 2004 £'000 |
| Ordinary shares of £1 each | 3,309,200 | 3,309,200 | 3,309 | 3,309 |
| Deferred shares of £1 each | 100 | 100 | - | - |
| | <u>3,309,300</u> | <u>3,309,300</u> | <u>3,309</u> | <u>3,309</u> |

The holders of the deferred shares have no claim on the dividends or capital of the company, except for the return of the paid up amount on liquidation. Capital is returned to the holders of the deferred shares only after paying £1,000,000 per share to the holders of the ordinary shares.

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 *(Continued)*

14 Reserves

| | Profit and loss account £'000 |
|--|--|
| At 1 January 2005 | 27,202 |
| Prior year adjustment | (5,036) |
| | <hr/> |
| At 1 January 2005 as restated | 22,166 |
| Profit for the year | 5,824 |
| Dividends | (4,724) |
| Actuarial loss on pension scheme liability | (1,067) |
| | <hr/> |
| At 31 December 2005 | 22,199 |
| | <hr/> |

15 Contingent liability

On 5 May 1998, a debenture was created by the company for securing all present and future obligations and liabilities from the company, International Hoteliers (UK) Limited, Primeairo Limited and Havana Holdings (UK) Limited Aareal Bank AG.

Under the debenture, a charge was placed on the assets and leasehold property, The Churchill Hotel.

At 31 December 2005 the balance due from Havana Holdings (UK) Limited to Aareal Bank AG was £69,500,000 (2004 - £70,750,000).

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 *(Continued)*

16 Pension scheme

The company operates a pension scheme in the United Kingdom called the Churchill Staff Benefits Plan which is a funded defined benefit plan.

The company is required to comply fully with FRS 17 in its financial statements for the year ended 31 December 2005.

A full actuarial valuation of the defined benefit scheme was carried out at 6 April 2004 and updated to 31 December 2005 by a qualified independent actuary on a FRS 17 basis. The major assumptions at 31 December 2005 used by the actuary were:

| | 31 December 2005 | 31 December 2004 | 30 September 2003 | 30 September 2002 |
|--|---------------------|---------------------|----------------------|----------------------|
| Rate of increase in salaries | 4.25% | 4.2% | 4.1% | 3.75% |
| Rate of increase for pensions in payment | 5.0% | 5.0% | 5.0% | 5.0% |
| Rate of increase for deferred pensioners | 2.75% | 2.7% | 2.6% | 2.25% |
| Discount rate | 4.75% | 5.3% | 5.5% | 5.50% |
| Inflation assumption | 2.75% | 2.7% | 2.6% | 2.25% |

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

16 Pension scheme (Continued)

The assets in the scheme and the expected rate of return at 31 December 2005 were:

| | Long-term rate of return expected at 31 December 2005 | Value at 31 December 2005 £'000 | Long-term rate of return expected at 31 December 2004 | Value at 31 December 2004 £'000 | Long-term rate of return expected at 30 September 2003 | Value at 30 September 2003 £'000 |
|---|--|--|--|--|---|---|
| Equities | 7.85% | 10,536 | 8.0% | 8,537 | 8.25% | 7,211 |
| Bonds | 4.12% | 3,939 | 4.6% | 3,222 | 4.8% | 2,594 |
| Other | 3.75% | 265 | 3.7% | 77 | 4.1% | 263 |
| | | | | | | |
| Total market value of assets | | 14,740 | | 11,836 | | 10,068 |
| | | | | | | |
| Present value of scheme liabilities | | (21,630) | | (17,812) | | (14,643) |
| | | | | | | |
| Deficit in the scheme | | (6,890) | | (5,976) | | (4,575) |
| Related deferred tax asset | | 2,067 | | 1,793 | | 1,373 |
| | | | | | | |
| Net pension liability on a FRS 17 basis | | (4,823) | | (4,183) | | (3,202) |
| | | | | | | |

Contributions of £885,000 (2004 - £798,000) were made in the year to 31 December 2005 (19.8% of pensionable pay, plus additional contributions to fund the net deficit).

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

16 Pension scheme (Continued)

| <i>Movement in deficit during the year:</i> | 2005 | 2004 | 2003 |
|--|--------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Deficit at 1 January 2005 | (5,976) | (4,575) | (5,884) |
| Contributions paid | 885 | 798 | 1,540 |
| Current service costs | (653) | (572) | (706) |
| Other finance charge | (79) | (44) | (202) |
| Actuarial (loss)/gain | (1,067) | (1,583) | 677 |
| | <hr/> | <hr/> | <hr/> |
| Deficit at 31 December 2005 | (6,890) | (5,976) | (4,575) |
| | <hr/> | <hr/> | <hr/> |
| | 2005 | 2004 | 2003 |
| | £'000 | £'000 | £'000 |
| <i>Analysis of amount charged to operating profit:</i> | | | |
| Current service cost | (653) | (572) | (706) |
| | <hr/> | <hr/> | <hr/> |
| <i>Analysis of the amount charged to other finance income:</i> | | | |
| Interest on pension scheme liabilities | (938) | (797) | (888) |
| Expected returns on assets in pension scheme | 859 | 753 | 686 |
| | <hr/> | <hr/> | <hr/> |
| | (79) | (44) | (202) |
| | <hr/> | <hr/> | <hr/> |
| <i>Analysis of amounts recognised in statement of total recognised gains and losses:</i> | | | |
| Gain/(loss) on assets | 1,617 | 351 | 1,044 |
| Gain/(loss) on liabilities | (499) | 178 | 6 |
| Loss on change of assumptions | (2,185) | (2,113) | (373) |
| | <hr/> | <hr/> | <hr/> |
| | (1,067) | (1,584) | 677 |
| | <hr/> | <hr/> | <hr/> |

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

16 Pension scheme (Continued)

| | 2005 £ | 2004 £ | 2003 £ |
|---|-----------|------------|------------|
| <i>History of experience gains and losses:</i> | | | |
| Gain/(loss) on scheme assets | 1,617,000 | £351,000 | £1,044,000 |
| Percentage of scheme assets at year end | 10.97% | 2.97% | 10.37% |
| Experience gain/(loss) on scheme liabilities | (499,000) | £178,000 | £6,000 |
| Percentage of scheme liabilities at year end | 2.31% | 1.00% | 0.04% |
| Total amount recognised in statement of total recognised gains and losses | 1,067,000 | £1,583,000 | £677,000 |
| Percentage of scheme liabilities at year end | 4.93% | 8.89% | 4.62% |

17 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

| | Land and buildings 2005 £'000 | Other 2005 £'000 | Land and buildings 2004 £'000 | Other 2004 £'000 |
|--------------------------------|--|------------------------|--|------------------------|
| Operating leases which expire: | | | | |
| In one to two years | 56 | 140 | 56 | 140 |
| In two to five years | - | - | - | 9 |
| After five years | 519 | 28 | 463 | 25 |
| | <u>575</u> | <u>168</u> | <u>519</u> | <u>174</u> |

18 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with group companies, on the basis that it is 90% or more controlled within the group and its parent company, Havana Holdings (UK) Limited, prepares consolidated financial statements which are publicly available.

Balances with group undertakings at 31 December 2005 are disclosed in notes 11 and 12 to the accounts.

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 *(Continued)*

19 Financial instruments

The Company holds or issues financial instruments to finance its operations and enters into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies.

In addition, various financial instruments such as trade debtors and trade creditors arise directly from the group's operations.

Operations are financed by a mixture of retained profits and loans from group undertaking. Working capital requirements are funded principally out of short term group loans and retained profits.

20 Ultimate parent company and ultimate controlling party

At 31 December 2005 the company's immediate parent company was International Hoteliers (UK) Limited. The parent company of the smallest group of which the company is a member and for which group accounts are prepared is Havana Holdings (UK) Limited, a company registered in the England and Wales. Copies of the consolidated accounts may be obtained from 30 Portman Square, London, W1A 4ZX.

The ultimate parent company is Sandwood Worldwide Limited, registered in British Virgin Islands.

The beneficial owner of Sandwood Worldwide Limited is Sheikh Hamad bin Jassim bin Jaber Al Thani.