REGISTRAR OF
COMPANIES

Churchill Group Limited

Report and Financial Statements

Year Ended

31 December 2007

BDO

BDO Stoy Hayward
Chartered Accountants

Churchill Group Limited

Annual report and financial statements
for the year ended 31 December 2007

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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, 55 Baker Street, London, W1U 7EU

Churchill Group Limited

Report of the directors
for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year

Dividends amounting to £5,350,770 have been paid during the year (2006 - £4,717,000) The directors do not recommend the payment of a final dividend

Principal activities and business review

The principal activity of the company is that of proprietor of the Hyatt Regency London – The Churchill, a five star deluxe Hotel with 444 bedrooms

In April 2006 a major refurbishment project commenced which was to see the total refurbishment of all rooms and suites as well as major back-of-house infrastructure improvement works

Consequently the hotel was under deep refurbishment, with room inventory reduced to a minimum of approximaitely 50%, 231 accommodation units, from 1st April 2006 until 1st July 2007 with increases in inventory as rooms were handed back

In summary, the Hotel operated a full inventory hotel from August although was at 50% inventory from January to May, gradually increasing inventory up to 90% until July

Consequently, 2008 will be the first year that the hotel facilities will be fully operational and to a standard that would be considered competitive with other hotel products in our market

Food and Beverage performance is most affected by reduced banquet revenues, based on some 60% of Banquet business (day time, week-day events), was limited due to noisy works of the project, leaving only 40% (weekend and evening events, unaffected)

The directors' strategy in 2008, commenced in 2007, is to drive economic success through a focus on room rates while not losing occupancy, by increasing food and beverage covers whilst maintaining prices at competitive and affordable levels, by controlling costs to levels in line with our growth and by offering a first class provision of additional services and facilities

Following the full refurbishment, Hyatt Regency London – The Churchill is committed to re-establishing and re-positioning itself, as one of the leading hotels in London by 2009/10 During the refurbishment process, the underlying goal was to anticipate, meet and exceed the expectations of our customers, encouraging client loyalty and extend retention By refurbishment of all public area and guest-room facilities, we have endeavoured to create for business and leisure travellers alike, an updated first-class product, integrated with updated technology Hyatt Regency London – The Churchill will endeavour to re-gain and sustain a definable advantage in its market place

Financial instruments

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

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

Directors' responsibilities

The directors are responsible for preparing 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 that 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 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

Churchill Group Limited

Report of the directors
for the year ended 31 December 2007 *(Continued)*

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

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

J O'Shea

Director

Date 16/4/08

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 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements We also report to you if, in our opinion, 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 affairs of the company as at 31 December 2007 and of its profit for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the directors' report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

Date 16/04/2008

Churchill Group Limited

Profit and loss account
for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	2	**28,625**	20,995
Raw materials and consumables		**(1,327)**	(929)
Other external charges		**(2,271)**	(2,398)
Staff costs	3	**(8,538)**	(7,741)
Depreciation		**(2,439)**	(1,170)
Other operating charges		**(6,997)**	(6,830)
Operating profit	4	**7,053**	1,927
Interest receivable and similar income	5	**125**	64
Interest payable and similar charges	6	**(634)**	(497)
Profit on ordinary activities before taxation		**6,544**	1,494
Taxation (charge)/credit on profit from ordinary activities	7	**(88)**	805
Profit on ordinary activities after taxation		**6,456**	2,299

All amounts relate to continuing activities
All recognised gains and losses are included in the profit and loss account

The notes on pages 9 to 19 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 2007

	2007 £'000	2006 £'000
Statement of total recognised gains and losses		
Profit for the year	**6,456**	2,299
Actuarial gains and losses on defined benefit scheme	**7,384**	(415)
Deferred tax arising on actuarial gains on defined benefit scheme	**(2,209)**	-
Total recognised gains and losses since last financial statements	**11,631**	1,884
Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	**22,675**	25,508
Profit for the year	**6,456**	2,299
Dividends	**(5,351)**	(4,717)
	1,105	(2,418)
Other gains and losses relating to the year	**5,175**	(415)
Net addition to shareholders' funds	**6,280**	(2,833)
Closing shareholders' funds	**28,955**	22,675

The notes on pages 9 to 19 form part of these financial statements

Churchill Group Limited

Balance sheet
at 31 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Tangible assets	9		**29,495**		22,628
Current assets					
Stocks	10	**405**		380	
Debtors - recoverable within one year	11	**3,679**		3,219	
- recoverable in more than one year	11	**77,945**		71,525	
Cash at bank and in hand		**6,511**		2,085	
		88,540		77,209	
Creditors: amounts falling due within one year	12	**89,529**		72,208	
Net current assets			**(989)**		5,001
Net assets excluding pension liability			**28,506**		27,629
Pension asset/(liability)	16		**449**		(4,954)
			28,955		22,675
Capital and reserves					
Called up share capital	13		**3,309**		3,309
Profit and loss account	14		**25,646**		19,366
Shareholders' funds			**28,955**		22,675

The financial statements were approved by the Board of Directors and authorised for issue on

J O'Shea
Director

16/4/08

The notes on pages 9 to 19 form part of these financial statements

Churchill Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards 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 Hyatt Regency London - 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

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

1 Accounting policies *(Continued)*

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

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 limit 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

2 Turnover

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

3 Employees

	2007 £'000	2006 £'000
Staff costs (including directors) comprise		
Wages and salaries	**7,199**	6,393
Social security costs	**629**	518
Other pension costs	**710**	830
	8,538	7,741

The average number of employees, including directors, during the year was 268 (2006 - 255)

No directors received any remuneration during the year (2006 - £Nil)

4 Operating profit

	2007 £'000	2006 £'000
This has been arrived at after charging,		
Depreciation - owned assets	**2,439**	1,170
Hire of other assets - operating leases	**664**	687
Auditors' remuneration - audit services	**50**	41
- taxation services	**12**	-
- other services	**5**	-

5 Other interest receivable and similar income

	2007 £'000	2006 £'000
Bank deposits	**125**	64

6 Interest payable and similar charges

	2007 £'000	2006 £'000
Loans from group companies	**563**	498
Interest on pension scheme liabilities	**1,201**	1,019
Expected return on pension scheme assets	**(1,130)**	(1,020)
	634	497

7 Taxation on profit on ordinary activities

	2007 £'000	2006 £'000
Current tax		
UK corporation tax on profits of the year	-	-
Adjustment in respect of previous years	-	(47)
Total current tax	-	(47)
Deferred tax - on defined benefit scheme	**(88)**	56
- other (note 11)	-	796
Taxation (charge)/credit on profit on ordinary activities	**(88)**	805

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	**6,544**	1,494
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	**1,963**	448
Effects of		
Expenses not deductible for tax purposes	**54**	27
Capital allowances for year in deficit of depreciation	**354**	376
Group relief claimed	**(571)**	-
Transfer pricing adjustment	**(1,350)**	(1,201)
Difference between pension charge and amount paid	**(127)**	(68)
Adjustment to tax charge in respect of previous years	-	47
Losses carried forward	-	208
Profit on disposal of assets	-	210
Trading losses utilised	**(323)**	-
Current tax charge for year	-	47

8 Dividends

	2007 £'000	2006 £'000
Ordinary dividend paid 106 99p (2006 -142 54p) per share	**5,351**	4,717

9 Tangible assets

	Long leasehold land and buildings £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2007	12,198	19,242	31,440
Additions	-	9,306	9,306
At 31 December 2007	**12,198**	**28,548**	**40,746**
Depreciation			
At 1 January 2007	1,727	7,085	8,812
Provided for the year	244	2,195	2,439
At 31 December 2007	**1,971**	**9,280**	**11,251**
Net book value			
At 31 December 2007	**10,227**	**19,268**	**29,495**
At 31 December 2006	10,471	12,157	22,628

10 Stocks

	2007 £'000	2006 £'000
Consumables	**21**	8
Goods for resale	**88**	76
Operating equipment	**296**	296
	405	380

11 Debtors

	2007 £'000	2006 £'000
Recoverable within one year		
Trade debtors	**1,652**	1,122
Corporation tax	**184**	184
Other debtors	**111**	192
Deferred taxation	**1,319**	1,319
Prepayments and accrued income	**413**	402
	3,679	3,219
Recoverable after more than one year		
Amounts owed by parent undertakings	**77,945**	71,525
	81,624	74,744

	Deferred taxation £'000
At 1 January 2007	1,319
Provided for year	-
At 31 December 2007	**1,319**

Deferred taxation	2007 Provided £'000	2006 Provided £'000
Decelerated capital allowances	**1,103**	1,103
Other timing difference	**216**	216
Asset	**1,319**	1,319

There is no unprovided deferred taxation

12 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	**1,264**	531
Amounts owed to parent undertakings	**49,336**	42,966
Loans from group undertakings	**36,002**	27,705
Taxation and social security	**1,299**	171
Other creditors	**151**	75
Accruals and deferred income	**1,477**	760
	89,529	72,208

13 Share capital

	Authorised, allotted, called up and fully paid			
	2007 Number	2006 Number	2007 £'000	2006 £'000
Ordinary shares of £1 each	**3,309,200**	3,309,200	**3,309**	3,309
Deferred shares of £1 each	**100**	100	**-**	-
	3,309,300	3,309,300	**3,309**	3,309

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

14 Reserves

	Profit and loss account £'000
At 1 January 2007	19,366
Profit for the year	6,456
Dividends	(5,351)
Actuarial loss on pension scheme liability	5,175
At 31 December 2007	**25,646**

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 (the 'Group') to Aareal Bank AG

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

On 1 June 2006, the Group entered into a loan agreement with Barclays Bank plc The amounts owed to Aareal Bank AG were repaid, however Barclays have a charge on the assets and leasehold property, The Churchill Hotel At 31 December 2007, the balance due from Havana Holdings (UK) Limited to Barclays Bank plc was £87,300,000 (2006 - £80,000,000)

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 2007

A full actuarial valuation of the defined benefit scheme was carried out at 6 April 2005 and updated to 31 December 2007 by a qualified independent actuary on a FRS 17 basis The major assumptions at 31 December 2007 used by the actuary were

	31 December 2007	**31 December 2006**	**30 September 2005**	**30 September 2004**
Rate of increase in salaries	**4.3%**	4 5%	4 25%	4 2%
Rate of increase for pensions in payment	**5.0%**	5 0%	5 0%	5 0%
Rate of increase for deferred pensioners	**3.3%**	3 0%	2 75%	2 7%
Discount rate	**5.8%**	5 1%	4 75%	5 3%
Inflation assumption	**3.3%**	3 0%	2 75%	2 7%

16 Pension scheme *(Continued)*

The assets in the scheme and the expected rate of return at 31 December 2007 were

	Long-term rate of return expected at 31 December 2007	Value at 31 December 2007 £'000	Long-term rate of return expected at 31 December 2006	Value at 31 December 2006 £'000	Long-term rate of return expected at 30 September 2005	Value at 30 September 2005 £'000
Equities	**8.1%**	**8,772**	8 0%	12,136	7 85%	10,536
Property	**6 7%**	**1,760**	-	-	-	-
Bonds	**5.8%**	**7,581**	5 1%	4,392	4 12%	3,939
Other	**4.3%**	**292**	4 6%	209	3 75%	265
Total market value of assets		**18,405**		16,737		14,740
Present value of scheme liabilities		**(17,782)**		(23,814)		(21,630)
Asset/(deficit) in the scheme		**623**		(7,077)		(6,890)
Related deferred tax (liability)/asset		**(174)**		2,123		2,067
Net pension asset/(liability) on a FRS 17 basis		**449**		(4,954)		(4,823)

Contributions of £896,000 (2006 - £884,000) were made in the year to 31 December 2007 (19 8% of pensionable pay, plus additional contributions to fund the net deficit)

16 Pension scheme (Continued)

	2007 £'000	2006 £'000	2005 £'000
Movement in deficit during the year			
Deficit at 1 January	**(7,077)**	(6,890)	(5,976)
Contributions paid	**896**	884	885
Current service costs	**(509)**	(657)	(653)
Other finance (charge)/credit	**(71)**	1	(79)
Actuarial gain/(loss)	**7,384**	(415)	(1,067)
Asset/(deficit) at 31 December	**623**	(7,077)	(6,890)

	2007 £'000	2006 £'000	2005 £'000
Analysis of amount charged to operating profit			
Current service cost	**(509)**	(657)	(653)

	2007 £'000	2006 £'000	2005 £'000
Analysis of the amount charged to other finance income			
Interest on pension scheme liabilities	**(1,201)**	(1,019)	(938)
Expected returns on assets in pension scheme	**1,130**	1,020	859
	(71)	1	(79)

	2007 £'000	2006 £'000	2005 £'000
Analysis of amounts recognised in statement of total recognised gains and losses			
Gain on assets	**74**	562	1,617
Gain/(loss) on liabilities	**3,650**	(1,949)	(499)
Gain/(loss) on change of assumptions	**3,660**	972	(2,185)
	7,384	(415)	(1,067)

History of experience gains and losses

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Gain on scheme assets	**74**	562	1,617	351	1,044
Percentage of scheme assets at year end	**0.4%**	3 36%	10 97%	2 97%	10 37%
Experience gain/(loss) on scheme liabilities	**3,650**	(1,949)	(499)	178	6
Percentage of scheme liabilities at year end	**20.53%**	8 19%	2 31%	1 00%	0 04%
Total amount recognised in statement of total recognised gains and losses	**7,384**	415	1,067	1,583	677
Percentage of scheme liabilities at year end	**40.12%**	1 74%	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 2007 £'000	Other 2007 £'000	Land and buildings 2006 £'000	Other 2006 £'000
Operating leases which expire				
In one to two years	**56**	**96**	56	96
In two to five years	**-**	**29**	-	27
After five years	**463**	**-**	463	-
	519	**125**	519	123

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 2007 are disclosed in notes 11 and 12 to the accounts

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 2007 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