Churchill Group Limited

Report and Financial Statements

Year Ended

31 December 2013

Company Number 922947

Churchill Group Limited

Report and financial statements
for the year ended 31 December 2013

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Directors

M A Cairns
K Cooper
F Bakhos
J Al Thani
Z Guiziri

Secretary and registered office

K Cooper, 30 Portman Square, London, W1A 4ZX

Company number

922947

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Churchill Group Limited

Strategic report
for the year ended 31 December 2013

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2013.

Business review

Performance in 2013 was not comparable to 2012 where we saw two "unique" and "unrepeatable" events being hosted in the UK, The Queen's Golden Jubilee and The Olympic Games, attracting huge volumes of visitors, positively impacting the hotel performance by adding some £2m in hotel revenues and boosting the average room rate.

Taking into account the level of uncertainty typical of a post-Olympic year, 2013 has been a fairly good year. Turnover shows a decrease year on year of only 2.8% (2012 - increase of 13.4%) which reflects mainly the additional business generated by the Olympics in 2012.

The profit and loss account is set out on page 6 and shows turnover for the year of £40.5m (2012 - £41.6m) and a profit for the year of £6.7m (2012 - £9.2m).

During 2013 we have seen the hotel concentrate efforts on maintaining momentum in a post-Olympic year despite a revenue shortfall from non-repeat business.

The strong relationships that have been built up over the years with the hotel's accounts from varying segments and regular guests, helped us in replacing a portion of the lost business over periods that were seen as very low demand for the rest of London.

During 2013 we maintained our focused approach in driving sales both in the National and International markets with particular attention to the more "future proof" industries and geographical sources.

Despite our efforts to increase internal efficiency and undertake cost saving activities, gross operating profit (GOP) decreased £1.7m (8.3%) (2012 - increase of £3.4m, 19.5%) during 2013 mainly due to the combined effect of a loss in average daily rate (ADR), a change in revenue mix towards food and beverage revenue which carries a lower profitability compared to rooms revenue and a loss in highly profitable internet revenue which we decided to offer free of charge in line with our competitors.

The directors' strategy in 2014, is to continue to drive economic success through a focus on room rates while maintaining occupancy, increasing food and beverage covers whilst maintaining prices at competitive and affordable levels, controlling costs to levels in line with our growth and offering a first class provision of additional services and refurbished facilities.

There have been no events since the balance sheet date which materially affect the position of the company.

Principal risks and uncertainties

The hospitality industry in London remains highly competitive and the company seeks to manage the risk of losing customers to key competitors by focusing on anticipating, meeting and exceeding the expectations of our customers, encouraging client loyalty and extending retention.

The ongoing refurbishment of all public areas and guest-room facilities demonstrates our committment to re-establishing and re-positioning Hyatt Regency London - The Churchill as one of the leading hotels in London. We believe The Churchill is well placed to re-gain and sustain a definable advantage in its market place.

The company credit risk is primarily attributable to its trade debtors. Credit risk is well managed by running credit checks on new and existing custumers and by monitoring payments against contractual agreements.

Approval

This Strategic Report was approved by the Board and signed on its behalf on 2 June 2014

M A Cairns

Director

Churchill Group Limited

Report of the directors
for the year ended 31 December 2013

The directors present their report together with the audited financial statements for the year ended 31 December 2013.

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

Dividends amounting to £3,550,000 have been paid during the year (2012 - £18,144,544). The directors do not recommend the payment of a final dividend.

Principal activities and future developments:

The principal activity of the company is that of proprietor of the Hyatt Regency London – The Churchill, a five star deluxe Hotel with 434 bedrooms.

There have been no changes in the company's activities in the year under review.

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	
K Cooper	(appointed 1 August 2013)
F Bakhos	(appointed 1 August 2013)
J Al Thani	(appointed 1 August 2013)
Z Guiziri	(appointed 1 August 2013)
S Moatassem	(resigned 31 July 2013)
J O'Shea	(resigned 18 April 2013)
J Rea	(resigned 2 May 2013)

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 strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Auditor

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 auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO 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 A Cairns M. A. Cairns

Director

2 June 2014

TO THE MEMBERS OF CHURCHILL GROUP LIMITED

We have audited the financial statements of Churchill Group Limited for the year ended 31 December 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in shareholders funds, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

BDO LLP

Marc Reinecke (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

2 June 2014

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

Churchill Group Limited

Profit and loss account
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	2	**40,489**	41,649
Raw materials and consumables		**(1,900)**	(1,759)
Other external charges		**(1,535)**	(1,581)
Staff costs	3	**(11,817)**	(11,455)
Depreciation		**(3,874)**	(3,482)
Other operating charges		**(11,085)**	(12,048)
Group company charges		**(3,377)**	(168)
Operating profit	4	**6,901**	11,156
Interest receivable and similar income	5	**198**	176
Interest payable and similar charges	6	**-**	(108)
Loss on disposal of fixed assets		**(167)**	(143)
Profit on ordinary activities before taxation		**6,932**	11,081
Taxation charge from ordinary activities	7	**(217)**	(1,847)
Profit on ordinary activities after taxation	14	**6,715**	9,234

All amounts relate to continuing activities.

The notes on pages 10 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 2013

	Note	2013 £'000	2012 £'000
Statement of total recognised gains and losses			
Profit for the year		**6,715**	9,234
Actuarial gains and losses on defined benefit scheme	16	**2,175**	(1,951)
Deferred tax arising on actuarial (losses)/gains on defined benefit scheme		**(690)**	483
Total recognised gains and losses since last financial statements		**8,200**	7,766
Reconciliation of movements in shareholders' funds			
Opening shareholders' funds		**39,345**	49,735
Profit for the year		**6,715**	9,234
Dividends		**(3,550)**	(18,156)
		3,165	(8,922)
Other gains and losses relating to the year		**1,485**	(1,468)
Net increase/(reduction) to shareholders' funds		**4,650**	(10,390)
Closing shareholders' funds		**43,995**	39,345

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

Churchill Group Limited

Balance sheet
at 31 December 2013

Company number 922947	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Tangible assets	9		**46,819**		25,498
Current assets					
Stocks	10	**464**		462	
Debtors	11	**4,849**		4,592	
Cash at bank and in hand		**15,386**		14,492	
		20,699		19,546	
Creditors: amounts falling due within one year	12	**24,134**		4,497	
Net current (liabilities)/assets			**(3,435)**		15,049
Net assets excluding pension asset/(liability)			**43,384**		40,547
Pension asset/(liability)	16		**611**		(1,202)
			43,995		39,345
Capital and reserves					
Called up share capital	13		**3,309**		3,309
Profit and loss account	14		**40,686**		36,036
Shareholders' funds			**43,995**		39,345

The financial statements were approved by the Board of Directors and authorised for issue on 2 June 2014

M A Cairns
Director

M. A. Cairns

The notes on pages 10 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 following principal accounting policies have been applied:

Basis of preparation

At 31 December 2013 the company had net current liabilities of £3,435,000 (2012 - net current assets of £15,049,000). The company has received confirmation that the intercompany loan creditor of £20,010,000 outstanding at year end will not be recalled until the company has sufficient financial resources for repayment.

Furthermore, the directors have prepared projected cash flow information which take into account the measures that the management team have taken to ensure the group is best placed to meet the challenges of tougher trading conditions. On the basis of this cash flow information the directors consider that the group will be able to continue to meet its liabilities as they fall due.

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 since its parent company publishes consolidated financial statements, including a statement of cash flows.

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. Turnover is recognised at the point the service is provided. Deposits are held on the balance sheet as a current liability and recognised in the profit and loss account when the service is provided.

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	-	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.

The group also operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period to which they relate.

Financial risk management

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.

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

	2013	**2012**
	£'000	**£'000**
Staff costs (including directors) comprise:		
Wages and salaries	**10,387**	10,093
Social security costs	**848**	800
Other pension costs	**582**	562
	11,817	11,455

The average number of employees, including directors, during the year was 342 (2012 - 313).

No directors received any remuneration during the year (2012 - £Nil).

4 Operating profit

	2013 £'000	2012 £'000
This has been arrived at after charging:		
Depreciation - owned assets	**3,874**	3,482
Operating lease rentals:		
- land and buildings	**386**	558
- plant and machinery	**84**	110
Auditor's remuneration:		
- audit services	**38**	38
- other services	**5**	5

5 Interest receivable and similar income

	2013 £'000	2012 £'000
Bank deposits	**91**	16
Interest on pension scheme liabilities	**(1,284)**	(1,241)
Expected return on pension scheme assets	**1,391**	1,401
	198	176

6 Interest payable and similar charges

	2013 £'000	2012 £'000
Loans from group companies	**-**	108

7 Taxation on profit on ordinary activities

	2013 £'000	2012 £'000
Current tax		
UK corporation tax on profits of the year	-	1,333
Adjustment in respect of previous years	12	(7)
Total current tax	12	1,326
Deferred tax		
Origination and reversal of temporary differences	153	457
Impact of change in future rate of taxation	72	64
Adjustment in respect of previous years	(20)	-
Total deferred tax	205	521
Taxation charge on profit on ordinary activities	217	1,847

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

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	6,932	11,081
Profit on ordinary activities at the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	1,611	2,714
Effects of:		
Expenses not deductible for tax purposes	16	9
Depreciation for year in excess of capital allowances	582	405
Group relief claimed	(948)	(442)
Transfer pricing adjustment	(1,046)	(1,102)
Difference between pension charge and amount paid	(215)	(251)
Adjustment to tax charge in respect of previous years	12	(7)
Current tax charge for year	12	1,326

8 Dividends

	2013 £'000	2012 £'000
Ordinary dividend paid 1.07p (2012 - 3.34p) per share	**3,550**	1,037
Ordinary dividend in specie Nil (2012 - 517.35p) per share	-	17,119
	3,550	18,156

During the prior year, the Havana Holdings (UK) Limited group, of which Churchill Group Limited is a subsidiary, underwent an exercise to offset and realise intercompany balances within the group. As a result of this, Churchill Group Limited agreed a dividend in specie of £17,119,000 representing the figures of intercompany debtors.

9 Tangible assets

	Long leasehold land and buildings £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2013	10,349	33,324	43,673
Additions	24,179	1,183	25,362
Disposals	-	(390)	(390)
At 31 December 2013	**34,528**	**34,117**	**68,645**
Depreciation			
At 1 January 2013	2,210	15,965	18,175
Provided for the year	529	3,345	3,874
Disposals	-	(223)	(223)
At 31 December 2013	**2,739**	**19,087**	**21,826**
Net book value			
At 31 December 2013	**31,789**	**15,030**	**46,819**
At 31 December 2012	8,139	17,359	25,498

At 31 December 2013 the company was committed to capital expenditure, that had not been provided for of £464,000 (2012 - £173,800).

During the year, the company's parent company negotiated a lease extension on the headlease of the hotel land and property. The company then signed a new sublease with its parent company, the effect of which was to transfer the economic benefit of the extended lease to the company. In order to properly reflect the substance of this transaction, the accounting for the premium paid and the associated costs has been recorded within this company rather than the parent company.

10 Stocks

	2013 £'000	2012 £'000
Goods for resale	**168**	166
Operating equipment	**296**	296
	464	462

11 Debtors

	2013 £'000	2012 £'000
Trade debtors	**2,569**	2,632
Other debtors	**47**	21
Deferred taxation	**325**	530
Prepayments and accrued income	**664**	679
Amounts owed by parent undertaking	**1,244**	730
	4,849	4,592

All debtors are receivable within one year.

Deferred taxation	Deferred taxation £'000
At 1 January 2013	530
Released in the year (note 7)	(205)
At 31 December 2013	**325**

	2013 Provided £'000	2012 Provided £'000
Decelerated capital allowances	**325**	530

A deferred tax asset of approximately £214,960 (2012 - £263,326) has not been recognised on capital losses available to carry forward against future capital profits as it is not sufficiently certain when capital profits will be made in order to absorb the reversal of this timing difference.

12 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	**777**	898
Loans from group undertakings	**20,010**	-
Taxation and social security	**1,083**	779
Accruals and deferred income	**2,252**	1,904
Corporation tax	**12**	916
	24,134	4,497

13 Share capital

	Authorised, allotted, called up and fully paid			
	2013 Number	2012 Number	2013 £'000	2012 £'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 2013	36,036
Profit for the year	6,715
Dividends (note 8)	(3,550)
Actuarial gain on pension scheme (note 16)	1,485
At 31 December 2013	**40,686**

15 Contingent liability

Barclays Bank plc has a charge over the assets and leasehold property held by the company in relation to The Churchill Hotel. This charge is in place in relation to the bank loan held by one of the company's parent undertakings, Havana Holdings (UK) Limited. At 31 December 2013, the balance due from Havana Holdings (UK) Limited to Barclays Bank plc was £90,475,000 (2012 - £75,525,000).

16 Pension costs

The company operates a funded defined benefit pension scheme. The assets of the Scheme are held separately from those of the company. The pension cost is assessed in accordance with the advice of a professionally qualified actuary.

A full actuarial valuation of the Defined Benefit Scheme was carried out at 6 April 2013 and updated to December 2013 by a qualified independent actuary on a FRS 17 basis.

Contributions of £664,000 were made in the period to 31 December 2013 (31 December 2012 - £670,000). It has been agreed with the trustees that the company will continue to contribute to the Scheme at current levels, and contributions of approximately £845,000 are expected to be paid in 2014.

Details of the Scheme are given below:

	2013 **£'000**	**2012** **£'000**
Change in benefit obligation during the year:		
Benefit obligation at beginning of year	**(29,541)**	(25,774)
Movement in year:		
Current service cost	**(443)**	(400)
Interest cost	**(1,284)**	(1,241)
Scheme participants contributions	**(72)**	(71)
Actuarial gain/(loss)	**1,454**	(2,922)
Benefits paid from Scheme	**804**	681
Administrative expenses paid	**163**	186
Benefit obligation at end of year	**(28,919)**	(29,541)

16 Pension costs *(continued)*

	2013 £'000	2012 £'000
Change in Scheme assets during the year:		
Fair value of Scheme assets at beginning of year	**27,802**	25,556
Movement in year:		
Expected return on Scheme assets	**1,391**	1,401
Actuarial gains on Scheme assets	**721**	971
Employer contributions	**664**	670
Member contributions	**72**	71
Benefits paid from Scheme	**(804)**	(681)
Administrative expenses paid	**(163)**	(186)
Fair value of Scheme assets at end of year	**29,683**	27,802

	2013 £'000	2012 £'000
Amounts recognised in the balance sheet:		
Present value of wholly or partly funded obligations	**(28,919)**	(29,541)
Fair value of Scheme assets	**29,683**	27,802
Scheme surplus/(deficit)	**764**	(1,739)
Related deferred tax (liability)/asset	**(153)**	537
Net asset/(liability)	**611**	(1,202)

Components of pension cost:

Amount recognised in profit and loss statement

	2013 £'000	2012 £'000
Current service cost (included within staff costs)	**(443)**	(400)
Interest on pension liabilities (included within interest receivable)	**(1,284)**	(1,241)
Expected return on Scheme assets (included within interest receivable)	**1,391**	1,401
	(336)	(240)

Analysis of amount recognised in statement of total recognised gains and losses ("STRGL"):

	2013 £'000	2012 £'000
Actuarial gains/(losses)	**2,175**	(1,951)
Cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses	**(2,639)**	(4,814)

16 Pension costs *(continued)*

	2013	2012
Principal actuarial assumptions:		
Assumptions to determine benefit obligations		
Discount rate	**4.40%**	4.40%
Rate of compensation increase	**3.35%**	3.65%
Rate of price inflation	**3.35%**	2.65%
Rate of pension increases (in-payment benefits)	**5.00%**	5.00%
Rate of pension increases (deferred benefits)	**2.35%**	1.90%
Assumptions to determine net pension cost		
Discount rate	**4.40%**	4.90%
Expected long-term rate of return on plan assets	**5.00%**	5.50%
Rate of compensation increase	**3.65%**	3.75%
Rate of price inflation	**2.65%**	2.75%
Rate of pension increases (in-payment benefits)	**5.00%**	5.00%
Rate of pension increases (deferred benefits)	**1.90%**	1.75%
Weighted average life expectancy on post-retirement mortality table used to determine benefit obligation for:		
Members aged 65 (current life expectancy)	**22.3 years**	23.2 years
Members aged 40 (life expectancy at age 65)	**23.9 years**	24.9 years

Scheme assets

	2013	2012
Percentage of Scheme assets by asset allocation		
Equities	**40.30%**	41.10%
Debt	**49.40%**	52.00%
Real estate/property	**10.20%**	6.40%
Other	**0.10%**	0.50%
Other finance expenses	**100.00%**	100.00%
Expected long term rate of return on Scheme assets during the financial year	**5.25%**	5.50%

16 Pension costs *(continued)*

To develop the expected long term rate of return on Scheme assets assumption, the company considered the current level of expected return on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on Scheme assets assumption for the portfolio.

	2013 £'000	2012 £'000
Actual return on Scheme assets	**2,112**	2,372

Five year history of scheme surplus/(deficit):

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Defined benefit obligation	**(28,919)**	(29,541)	(25,774)	(23,410)	(20,643)
Fair value of Scheme assets	**29,683**	27,802	25,556	21,928	18,982
Surplus/(deficit) of the scheme	**764**	(1,739)	(218)	(1,482)	(1,661)

Experience adjustments arising on:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Scheme liabilities	**(443)**	(400)	(419)	(360)	(295)
Scheme assets	**1,391**	1,401	1,433	1,242	1,099

Balance sheet reconciliation:

	2013 £'000	2012 £'000
Gross balance sheet liability at beginning of year	**(1,739)**	(218)
Pension expense recognised in profit and loss account in the financial year	**(336)**	(240)
Amounts recognised in STRGL in the financial year	**2,175**	(1,951)
Actual contributions made by the company in the financial year	**664**	670
Gross balance sheet asset/(liability) at end of year	**764**	(1,739)

17 Commitments under operating leases

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

	Land and buildings 2013 £'000	Other 2013 £'000	Land and buildings 2012 £'000	Other 2012 £'000
Operating leases which expire:				
In one to two years	-	11	-	34
In two to five years	84	52	84	52
After five years	200	-	463	-
	284	63	547	86

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 100% controlled within the group and its parent company, Havana Holdings (UK) Limited, prepares consolidated financial statements which are publicly available.

During the year, the company received a loan of £4,435,000 from its ultimate parent company Sandwood Worldwide Limited. This amount was fully repaid during the year with no interest paid or payable.

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 2013 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.