Churchill Group Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 00922947

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Churchill Group Limited

Report and financial statements
for the year ended 31 December 2017

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Directors

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

Secretary and registered office

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

Company number

00922947

Auditor

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

Churchill Group Limited

Strategic report
for the year ended 31 December 2017

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company is that of proprietor of the Hyatt Regency London – The Churchill, a five star deluxe Hotel with 440 bedrooms.There have been no changes in the company's activities in the year under review.

Business review

The profit and loss account is set out on page 8 and shows turnover for the year of £43.471m (2016 - £37.124m) and a profit for the year of £2.246m (2016 – profit of £2.796m).

December marks the end of a challenging but at the same time good year for The Churchill, which saw this property shaping back above its market position following a long period affected by semi-closure and renovation.

With a full inventory and refurbished product we recovered our annual occupancy achieving the best market penetration index since 2010, increased our ADR by 2.2% and re-gained revenue market share from 93.0 to 102.8 managing to rebuild our business both in the National and International markets and to re-establish brand awareness of The Churchill Hotel.

The directors' strategy in 2018 is to continue to drive economic success through a focus on room rates, optimization of our Business Mix and further development our key existing and emerging feeder markets.

The directors are confident that the refurbished product in conjunction with the operator's efforts will allow the company to meet its strategic objectives.

There have been no events since the balance sheet date, other than those mentioned above, 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.

Terrorism in UK is an area of concern and despite the UK population seems to be resilient to the increased number of attacks and it did not have yet a material impact on travel it still remains an area of uncertainty and potential risk.

The Brexit will lead to a substantial increase in economic & political uncertainty, which is projected to have negative macroeconomic consequences.

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 28 September 2018

M A Cairns

Director

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Results and dividends

The profit and loss account is set out on page 8 and shows the profit for the year.

There were no dividends paid in the year (2016 - £Nil). 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 440 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 3 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
K Cooper
F Bakhos
J Al Thani
Z El Guiziri

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

Director

28 September 2018

TO MEMBERS OF CHURCHILL GROUP LIMITED

Opinion

We have audited the financial statements of Churchill Group Limited ("the Company") for the year ended 31 December 2017 which comprise the profit and loss account, 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

Responsibilities of Directors

As explained more fully in the Directors' report, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Mark RA Edwards (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

28 September 2018

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 2017

	Note	2017 £'000	2016 £'000
Turnover	4	**43,471**	37,124
Raw materials and consumables		**(1,788)**	(1,843)
Other external charges		**(1,388)**	(1,691)
Staff costs	5	**(12,622)**	(12,357)
Depreciation	10	**(5,130)**	(5,199)
Other operating charges		**(13,199)**	(10,706)
Group company charges		**(3,540)**	(4,451)
Profit on disposal of fixed assets		**-**	2,167
Other charges		**(1,750)**	-
Operating profit	6	**4,054**	3,044
Interest receivable and similar income	7	**37**	102
Interest payable and similar charges		**56**	-
Profit on ordinary activities before taxation		**4,035**	3,146
Taxation charge for the year	8	**1,789**	350
Profit on ordinary activities after taxation		**2,246**	2,796

All amounts relate to continuing activities.

The notes on pages 12 to 31 form part of these financial statements

Churchill Group Limited

Statement of comprehensive income
for the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the financial year	**2,246**	2,796
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain/(loss) on defined benefit pension scheme	**1,875**	(3,477)
Tax relating to components of other comprehensive income	**(271)**	607
Total other comprehensive gain/(loss) for the year, net of tax	**1,604**	(2,870)
Total comprehensive gain/(loss) for the year	**3,850**	(74)

The notes on pages 12 to 31 form part of these financial statements

Churchill Group Limited

Statement of financial position
at 31 December 2017

Company number 00922947	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible assets	10		**53,280**		55,969
Current assets					
Stocks	11	**476**		502	
Debtors	12	**12,845**		8,596	
Cash at bank and in hand		**9,484**		17,384	
		22,805		26,482	
Creditors: amounts falling due within one year	13	**37,817**		37,053	
Net current liabilities			**(15,012)**		(10,571)
Net assets excluding pension asset			**38,268**		45,398
Pension liability	16		**(857)**		(2,451)
Provision for liabilities	17		**(1,750)**		-
			35,661		42,947
Capital and reserves					
Called up share capital	14		**3,309**		3,309
Retained earnings	15		**32,352**		39,638
Shareholders' funds			**35,661**		42,947

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2018

M A Cairns
Director

The notes on pages 12 to 31 form part of these financial statements

Churchill Group Limited

Statement of changes in equity
at 31 December 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
1 January 2017	3,309	39,638	42,947
Comprehensive income for the year:			
Profit for the year	-	2,246	2,246
Other comprehensive income for the year	-	1,604	1,604
Total comprehensive income for the year	-	3,850	3,850
Contributions by and distributions to owners			
Dividends	-	(11,136)	(11,136)
Total contributions by and distributions to owners	-	(11,136)	(11,136)
31 December 2017	**3,309**	**32,352**	**35,661**

	Share capital £'000	Retained earnings £'000	Total equity £'000
1 January 2016	3,309	39,712	43,021
Comprehensive income for the year:			
Profit for the year	-	2,796	2,796
Other comprehensive loss for the year	-	(2,870)	(2,870)
Total comprehensive loss for the year	-	(74)	(74)
Contributions by and distributions to owners			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2016	3,309	39,638	42,947

The notes on pages 12 to 31 form part of these financial statements

1 Accounting policies

Churchill Group Limited is a company incorporated and domiciled in England and Wales. The address of the registered office is given on the contents page.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* and Financial Reporting Standard 101 *Reduced Disclosure Framework*. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for the measurement of the net pension asset. The presentation currency used is Sterling and amounts have been presented in round thousands ("£000s").

At 31 December 2017 the company had net current liabilities of £15,012,000 (2016 - £10,571,000). The company has received confirmation that the intercompany loan creditor of £32,426,000 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 company is best placed to meet the challenges of tougher trading conditions. On the basis of this cash flow information the directors consider that the company will be able to continue to meet its liabilities as they fall due.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Havana Holdings (UK) Limited.

The financial statements of Havana Holdings (UK) Limited can be obtained as described in note 19.

Impairment of non-financial assets (excluding stock and deferred tax assets)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs').

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

1 Accounting policies *(continued)*

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.

Tangible assets

Tangible assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

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 initially recognised at cost, and subsequently at the lower of cost and net realisable value.

Financial assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company has not classified any of its financial assets as held to maturity or available for sale.

The company's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers eg trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

1 Accounting policies *(continued)*

Financial liabilities

The company classifies its financial liabilities as other financial liabilities.

Other financial liabilities

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

Dividends payable

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Foreign currency

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

1 **Accounting policies** *(continued)*

Income taxes (continued)

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or

- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Income tax is charged or credited directly to other comprehensive income if it relates to items that are credited or charged to other comprehensive income otherwise income tax is recognised in the profit or loss.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

1 Accounting policies *(continued)*

Defined benefit schemes (continued)

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- *Useful lives of property, plant and equipment*

  The company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available to use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets, where applicable.

  In addition, estimations of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

2 Critical accounting estimates and judgements *(continued)*

- *Fair value measurement*

A number of assets and liabilities included in the company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- *Level 1*: Quoted prices in active markets for identical items (unadjusted)
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The company measures the following item at fair value.

- Defined benefit asset (note 16)

3 Financial instruments - Risk Management

The company is exposed through its operations to the following financial risks:

- Credit risk, and
- Liquidity risk.

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade and other debtors
- Cash and cash equivalents, and
- Trade and other creditors

3 Financial instruments - Risk Management *(continued)*

(ii) Financial instruments by category

Financial assets

	Loans and receivables 2017 £'000	Loans and receivables 2016 £'000
Cash and cash equivalents	**9,484**	17,384
Trade and other debtors	**5,521**	5,946
Total financial assets	**15,005**	23,330

Financial liabilities

	Financial liabilities at amortised cost 2017 £'000	Financial liabilities at amortised cost 2016 £'000
Trade creditors	**1,421**	1,747
Loans from group undertaking	**32,426**	32,426
Total financial liabilities	**33,847**	34,173

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other debtors and trade and other creditors, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other debtors, trade and other creditors approximates their fair value.

General objectives, policies and processes

The Board has overall responsibility for the determination of the company's risk management objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is mainly exposed to credit risk from credit sales. It is company policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "AA-" are accepted.

3 Financial instruments - Risk Management *(continued)*

Cash in bank and short-term deposits

A significant amount of cash is held with the following institutions:

	2017 Rating (Fitch)	2017 Cash at bank £'000	2016 Rating	2016 Cash at bank £'000
Barclays Bank Plc	**A**	**5,392**	A	13,279
National Bank of Kuwait	**AA-**	**4,047**	AA-	4,043
		9,439		17,322

The Management monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

Liquidity risk

Liquidity risk arises from the company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The company monitors its risk to a shortage of funds by reviewing projected cash flows derived from operations and other movements in the company's assets and liabilities.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2017	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other creditors	**33,610**	**33**	**204**	**-**	**-**

At 31 December 2016	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other creditors	33,698	475	-	-	-

3 Financial instruments - Risk Management *(continued)*

Cash in bank and short-term deposits *(continued)*

Capital Disclosures

The company monitors capital which comprises all components of equity (i.e. share capital, share premium and retained earnings).

The company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The company sets the amount of capital it requires in proportion to risk. The company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The management monitors capital at a group level using a loan to value ratio, which is debt as a percentage of the market value of the group's properties. The group's policy is to keep the loan to value ratio no higher than 55%, in line with the requirements of the loan agreement in place at 31 December 2017 for borrowings obtained by intermediate parent Havana Holdings (UK) Limited.

4 Turnover

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

5 Employees

	2017 £'000	2016 £'000
Staff costs (including directors) comprise:		
Wages and salaries	**10,853**	10,735
Social security costs	**927**	889
Defined contribution pension cost	**156**	168
Defined benefit pension cost	**686**	565
	12,622	12,357

The average number of employees, including directors, during the year was 334 (2016 - 335).

No directors received any remuneration during the year (2016 - £Nil).

6 Operating profit

This has been arrived at after charging/(crediting):

	2017 £'000	2016 £'000
Depreciation - owned assets	**5,130**	5,199
Operating lease rentals:		
- land and buildings	**284**	284
- plant and machinery	**46**	46
Auditor's remuneration:		
- audit services	**38**	38
- other services	**4**	4
Other income	**205**	-
(Profit) on disposal	**-**	(2,167)

Other income relates to compensation in respect of business interruption insurance. Since this is not considered to be part of the main revenue generating activities, the company presents this income separately from turnover.

7 Interest receivable and similar income

	2017 £'000	2016 £'000
Bank deposits	**37**	52
Net interest on pension asset	**-**	50
	37	102

8 Taxation on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profits of the year	**1,665**	303
Adjustment in respect of previous years	**4**	159
Total current tax	**1,669**	462
Deferred tax		
Origination and reversal of temporary differences	**143**	(114)
Impact of change in future rate of taxation	**(23)**	41
Adjustment in respect of previous years	**-**	(39)
Total deferred tax	**120**	(112)
Taxation charge on profit on ordinary activities	**1,789**	350

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

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	**4,035**	3,146
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	**777**	629
Effects of:		
Expenses not deductible for tax purposes	**7**	16
Fixed assets differences (ineligible depreciation and loss on fixed asset disposals)	**969**	623
Group relief claimed	**(282)**	(1,119)
Adjustment to tax charge in respect of previous years	**4**	120
Other differences	**337**	40
Impact of change in tax rates	**(23)**	41
Tax charge for year	**1,789**	350

9 Dividends

	2017 £'000	2016 £'000
Ordinary interim dividend of £3.36 per share (2016 - £Nil) per share	**11,136**	-

10 Tangible assets

	Long leasehold land and buildings £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2017	31,285	50,569	81,854
Additions	-	2,441	2,441
At 31 December 2017	**31,285**	**53,010**	**84,295**
Depreciation			
At 1 January 2017	4,360	21,525	25,885
Provided for the year	625	4,505	5,130
At 31 December 2017	**4,985**	**26,030**	**31,015**
Net book value			
At 31 December 2017	**26,300**	**26,980**	**53,280**
At 31 December 2016	26,925	29,044	55,969

At 31 December 2017 the company was committed to capital expenditure, that had not been provided for of £Nil (2016 - £Nil).

11 Stocks

	2017 £'000	2016 £'000
Goods for resale	**180**	206
Operating equipment	**296**	296
	476	502

12 Debtors

	2017 £'000	2016 £'000
Trade debtors	**2,394**	2,295
Other debtors	**1,775**	2,283
Deferred taxation	**1,027**	1,418
Prepayments and accrued income	**705**	658
Amounts owed by parent undertaking	**1,398**	1,368
Corporation tax	**-**	574
Amount due from related undertaking	**5,546**	-
	12,845	8,596

All debtors are receivable within one year.

Deferred taxation	Deferred taxation £'000
At 1 January 2017	1,418
Charged in the year	(391)
At 31 December 2017	**1,027**

12 Debtors *(continued)*

Deferred tax

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered. Details of the deferred tax liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	Asset 2017 £'000	Liability 2017 £'000	Net 2017 £'000	(Credited) to profit or loss 2017 £'000	Charged/ (credited) to other comprehensive income 2017 £'000
Accelerated capital allowances	881	-	881	120	-
Defined benefit pension scheme	146	-	146	-	271
Net tax assets	1,027	-	1,027	120	271

	Asset 2016 £'000	Liability 2016 £'000	Net 2016 £'000	(Credited) to profit or loss 2016 £'000	Charged to other comprehensive income 2016 £'000
Accelerated capital allowances	1,001	-	1,001	(112)	-
Defined benefit pension scheme	417	-	417	-	(607)
Net tax assets	1,418	-	1,418	(112)	(607)

13 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	**1,138**	1,747
Loans from group undertakings	**32,426**	32,426
Taxation and social security	**1,054**	1,235
Accruals and deferred income	**2,159**	1,645
Corporation tax	**1,040**	-
	37,817	37,053

14 Share capital

	Authorised, allotted, called up and fully paid			
	2017 Number	2016 Number	2017 £'000	2016 £'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.

15 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Nominal value of share capital subscribed for.
Retained earnings	All other net gains and losses and transactions with owners (eg dividends) not recognised elsewhere.

16 Defined benefit schemes

Defined benefit scheme characteristics and funding

The Company operates a post-employment defined benefit scheme which is closed to new members and open for future accruals. The scheme provides employees with a pension on retirement.

The Scheme operates under UK legislation and is governed by a board of Trustees.

The most recent comprehensive actuarial valuation was carried out by the trustees of the Scheme as at 6 April 2016.

The key risks with the Scheme are the sensitivity of the defined benefit obligation to movements in the yields available on UK government gilts, longevity risk arising from member's life expectancy, the risk of underperformance of the Scheme's investments and risks of increases in the defined benefit obligation resulting from changes in legislation.

Estimates and assumptions

The costs, assets and liabilities of the defined benefit schemes operating by the Company are determined using methods relying on actuarial estimates and assumptions. The Company takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position.

16 Defined benefit schemes *(continued)*

Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of scheme assets		Net pension asset/(liability)	
	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Balance on 1 January	**(41,274)**	(32,637)	**38,823**	33,694	**(2,451)**	1,057
Service cost - current	**(686)**	(565)	**-**	-	**(686)**	(565)
Interest cost	**(1,037)**	(1,204)	**981**	1,254	**(56)**	50
Administrative costs	**-**	-	**(203)**	(186)	**(203)**	(186)
Included in profit or loss	**(1,723)**	(1,769)	**778**	1,068	**(945)**	(701)
Remeasurement loss (gain)						
(a) Actuarial gain	**(924)**	(7,878)	**-**	-	**(924)**	(7,878)
(b) Return on plan assets (excluding interest)	**-**	-	**2,799**	4,401	**2,799**	4,401
Included in other comprehensive income	**(924)**	(7,878)	**2,799**	4,401	**1,875**	(3,477)
Employer contributions		-	**664**	670	**664**	670
Plan participant contributions	**(51)**	(56)	**51**	56	**-**	-
Benefits paid	**1,225**	1,066	**(1,225)**	(1,066)	**-**	-
Other movements	**1,174**	1,010	**(510)**	(340)	**664**	670
Balance on 31 December	**(42,747)**	(41,274)	**41,890**	38,823	**(857)**	(2,451)

16 Defined benefit schemes *(continued)*

Disaggregation of defined benefit scheme assets

The fair value of the assets is analysed as follows:

	2017 £'000	2016 £'000
Equity securities (quoted)	**16,505**	15,180
Bonds (quoted)	**19,311**	19,101
Real estate property	**4,357**	3,960
Other	**1,717**	582
	41,890	38,823

Prices for equity securities and bonds are quoted in active markets.

The key risk to the Scheme is the increase/decrease in defined benefit obligation resulting from movements in bonds yields. To reduce this risk, the Scheme holds investments of UK government gilts and Corporate bonds.

These policies are consistent with those in the prior period.

Defined benefit obligation - actuarial assumptions

The principal actuarial assumptions used in determining calculating the present value of the defined benefit obligation of the scheme (weighted average) include:

	2017	2016
Discount rate	**2.4%**	3.8%
Rate of growth in future salaries	**3.2%**	2.7%
Rate of increase in inflation	**3.2%**	3.3%
Rate of pension increases (in-payment)	**5.0%**	5.0%
Rate of pension increases (deferred)	**2.2%**	1.7%
Life expectancy from age 65 (currently aged 65 years old)		
- Males	**22.5**	23.5
- Females	**24.8**	24.7
Life expectancy from age 65 (reaching age 65 in 15 years time)		
- Males	**24.0**	25.0
- Females	**26.5**	26.4

The weighted-average duration of the defined benefit obligation at 31 December 2017 was 19 years.

16 Defined benefit schemes *(continued)*

Defined benefit obligation - sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumption constant, is presented in the table below:

Actuarial assumption	Reasonably possible change	Defined benefit obligation Increase	Defined benefit obligation Decrease
Discount rate	(+/- 0.25%)	(40,597)	(44,609)
Price inflation	(+/- 0.25%)	(43,055)	(42,048)
Mortality	Increase of 1 year in expected lifetime of plan participants	(45,046)	-

17 Provision for liabilities

	2017 £'000	2016 £'000
Legal disputes	**1,750**	-

A provision has been made for a claim against the company.

18 Commitments under operating leases

As at 31 December 2017, the total future value of minimum lease payments due is as follows:

	Land and buildings 2017 £'000	Other 2017 £'000	Land and buildings 2016 £'000	Other 2016 £'000
Not later than one year	**200**	**1**	202	3
Later than one year and not later than five years	**800**	**-**	800	4
Later than five years	**17,808**	**-**	18,008	-
	18,808	**1**	19,010	7

19 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 101, 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.

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 2017, the balance due from Havana Holdings (UK) Limited to Barclays Bank plc was £84,305,000 (2016 - £98,000,000). This balance forms part of a joint loan facility with a related party for a total of £190,000,000 of which the Company is a joint guarantor.

20 Ultimate parent company and ultimate controlling party

At 31 December 2017 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 Prime Capital, SA, registered in Luxembourg.

The beneficial owner of Prime Capital, SA, is Sheikh Hamad bin Jassim bin Jaber Al Thani.