

# Havana Holdings (UK) Limited

Report and Financial statements

Year ended

31 December 2018

Company Number 03513344

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# Havana Holdings (UK) Limited

## Report and financial statements For the year ended 31 December 2018

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### Legal form

Private limited company

### 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

03513344

### Auditors

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

# Havana Holdings (UK) Limited

## Strategic report for the year ended 31 December 2018

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The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

### Principal activities

The principal activity of the group 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 group's activities in the year under review.

### Business review

The profit and loss account is set out on page 9 and shows turnover for the year of £45,256,000 (2017 restated- £42,840,000) and a profit for the year of £5,478,000 (2017 - loss of £1,515,000).

December marks the end of a very successful year for The Churchill Hotel, which demonstrates continued alignment and focus in our management of the business.

Despite an uncertain and weak start of the year, the combined efforts of all the Operational and Supporting teams enabled us to exceed our targets and to close the year with an all-time record result in both revenue & profit and to improve annual occupancy by 150 bps and increase our ADR by 5.5%.

The directors' strategy in 2019 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.

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 group 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 the UK is an area of concern and despite the UK population seeming to be resilient to the increased number of attacks meaning it has not yet had 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 group credit risk is primarily attributable to its trade debtors. Credit risk is well managed by running credit checks on new and existing customers and by monitoring payments against contractual agreements.

# Havana Holdings (UK) Limited

Strategic report  
for the year ended 31 December 2018 (*continued*)

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## Approval

This Strategic Report was approved by the Board and signed on its behalf on 27 September 2019

M A Cairns

Director

A handwritten signature in black ink, appearing to read 'M. A. Cairns', with a stylized flourish at the end.

# Havana Holdings (UK) Limited

## Directors' report for the year ended 31 December 2018

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The directors present their report together with the audited financial statements for the year ended 31 December 2018.

### Results and dividends

The consolidated statement of profit or loss is set out on page 9 and shows the profit for the year.

The directors do not recommend an ordinary dividend (2017 - £Nil).

### Principal activities and future developments

The principal activity of the group 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 group's activities in the year under review.

### Financial instruments

Details of the financial risk management objectives and policies and the use of financial instruments by the group are provided in note 3 to the financial statements.

### Employment of disabled persons

The nature of the group'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 group.

### Employee involvement

The group's communications with employees are conducted informally through the established supervisory structure.

### Risk management

Information in relation to the Group's risk management objectives and policies is disclosed in the strategic report.

### Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

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

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

# Havana Holdings (UK) Limited

## Directors' report for the year ended 31 December 2018 (*continued*)

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### 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

27 September 2019

# **Havana Holdings (UK) Limited**

## **Directors' responsibilities statement for the year ended 31 December 2018**

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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 group and company financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and company and of the profit or loss of the group 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 International Financial Reporting 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 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.

# Havana Holdings (UK) Limited

## Independent auditor's report

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### TO MEMBERS OF HAVANA HOLDINGS (UK) LIMITED

#### Opinion

We have audited the financial statements of Havana Holdings (UK) Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group and the Parent 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 Group or the Parent 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.



# Havana Holdings (UK) Limited

## Independent auditor's report *(continued)*

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### 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 Group and the Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

# Havana Holdings (UK) Limited

## Independent auditor's report (*continued*)

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### Responsibilities of Directors

As explained more fully in the Directors responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent 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.



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

30 September 2019

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

# Havana Holdings (UK) Limited

## Consolidated statement of profit or loss for the year ended 31 December 2018

	Note	2018 £'000	2017 (restated) £'000
<b>Revenue</b>	4	<b>45,256</b>	42,840
Raw materials and consumables used		(1,931)	(1,788)
Other external charges		(2,014)	(1,418)
Staff costs	6	(13,276)	(12,678)
Depreciation expense	5, 10	(5,274)	(7,290)
Other operating charges		(12,627)	(12,994)
Other income/(charges)		1,500	(1,750)
<b>Profit from operations</b>	5	<b>11,634</b>	4,922
Finance expense	7	(6,237)	(6,427)
Finance income	7	28	37
Net movement in interest rate swaps		1,120	1,385
<b>Profit/(loss) before tax</b>		<b>6,545</b>	(83)
Tax charge for the year	9	(1,067)	(1,432)
<b>Profit/(loss) after tax</b>		<b>5,478</b>	(1,515)

See Note 25 for restatement of 2017 on transition to IFRS 15.

The notes on pages 18 to 48 form part of these financial statements.

# Havana Holdings (UK) Limited

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Profit/(loss)		5,478	(1,515)
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial (loss)/profit on defined benefit pension scheme	20	(1,017)	1,875
Tax relating to components of other comprehensive income	17	230	(271)
		<hr/>	<hr/>
Other comprehensive (loss)/profit for the year, net of tax		(787)	1,604
		<hr/>	<hr/>
Total comprehensive profit		4,691	89
		<hr/>	<hr/>

The notes on pages 18 to 48 form part of these financial statements.

# Havana Holdings (UK) Limited

## Consolidated statement of financial position at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	147,893	151,077
		<u>147,893</u>	<u>151,077</u>
<b>Current assets</b>			
Inventories	12	514	476
Trade and other receivables	14	12,026	11,323
Cash and cash equivalents		15,389	9,537
		<u>27,929</u>	<u>21,336</u>
<b>Total assets</b>		<u>175,822</u>	<u>172,413</u>
<b>Current liabilities</b>			
Trade and other payables	15	19,395	15,192
Loans and borrowings	16	45,194	45,194
Income tax payable		1,222	1,095
		<u>65,811</u>	<u>61,481</u>
<b>Net current liabilities</b>		<u>(37,882)</u>	<u>(40,145)</u>
<b>Non-current liabilities</b>			
Loans and borrowings	16	75,522	79,851
Interest rate swaps	13	1,010	2,130
Deferred tax liability	17	15,508	15,522
Employee benefit liability	20	2,208	857
Provisions	21	250	1,750
		<u>94,498</u>	<u>100,110</u>
<b>Total liabilities</b>		<u>160,309</u>	<u>161,591</u>
<b>NET ASSETS</b>		<u>15,513</u>	<u>10,822</u>

The notes on pages 18 to 48 form part of these financial statements.

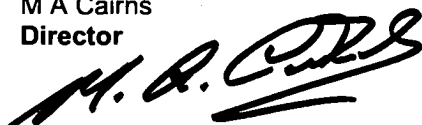
# Havana Holdings (UK) Limited

## Consolidated statement of financial position at 31 December 2018 (continued)

	Note	2018 £'000	2017 £'000
<b>Issued capital and reserves</b>			
Share capital	18	42,500	42,500
Share premium	19	5,000	5,000
Accumulated losses		(31,987)	(36,678)
<b>TOTAL EQUITY</b>		<b>15,513</b>	<b>10,822</b>

The financial statements on pages 9 to 48 were approved and authorised for issue by the Board of Directors on 27 September 2019 and were signed on its behalf by:

M A Cairns  
Director



The notes on pages 18 to 48 form part of these financial statements.

# Havana Holdings (UK) Limited

## Company statement of financial position at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	11	120,138	120,138
Deferred tax asset	17	65	76
		<u>120,203</u>	<u>120,214</u>
<b>Current assets</b>			
Trade and other receivables	14	33,261	33,261
Cash and cash equivalents		50	53
		<u>33,311</u>	<u>33,314</u>
<b>Total assets</b>		<u>153,514</u>	<u>153,528</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	14,159	10,900
Loans and borrowings	16	45,194	45,194
		<u>59,353</u>	<u>56,094</u>
<b>Net current liabilities</b>		<u>(26,043)</u>	<u>(22,780)</u>
<b>Non-current liabilities</b>			
Loans and borrowings	16	75,522	79,851
Interest rate swaps	13	1,010	2,130
		<u>76,532</u>	<u>81,981</u>
<b>Total liabilities</b>		<u>135,886</u>	<u>138,075</u>
<b>NET ASSETS</b>		<u>17,628</u>	<u>15,453</u>

The notes on pages 18 to 48 form part of these financial statements.

# Havana Holdings (UK) Limited

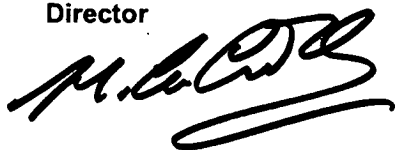
## Company statement of financial position at 31 December 2018 (continued)

	Note	2018 £'000	2017 £'000
<b>Issued capital and reserves</b>			
Share capital	18	42,500	42,500
Share premium	19	5,000	5,000
Accumulated losses		(29,872)	(32,047)
<b>TOTAL EQUITY</b>		<b>17,628</b>	<b>15,453</b>

In accordance with the exemption allowed in Section 408 of Companies Act 2006, a separate profit and loss account dealing with the results of the company has not been prepared. The company profit for the year is £2,175,000 (2017 – profit of £9,198,000).

The financial statements on pages 8 to 48 were approved and authorised for issue by the Board of Directors on 27 September 2019 and were signed on its behalf by:

M A Cairns  
Director



The notes on pages 18 to 48 form part of these financial statements.



# Havana Holdings (UK) Limited

## Consolidated statement of cash flows For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		6,545	(83)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	10	5,274	7,290
Profit on disposal of property, plant and equipment		-	-
Movement in interest rate swap		(1,120)	(1,385)
Finance income	7	(28)	(37)
Finance expense	7	6,225	6,323
		<b>16,896</b>	<b>12,108</b>
(Increase)/decrease in trade and other receivables		(703)	366
(Increase)/decrease in inventories		(38)	26
Increase in trade and other payables		1,213	50
(Decrease)/increase in provisions		(1,500)	1,750
		<b>15,868</b>	<b>14,300</b>
<b>Cash generated from operations</b>		<b>15,868</b>	<b>14,300</b>
Income taxes paid		(661)	-
		<b>15,207</b>	<b>14,300</b>
<b>Net cash flows from operating activities</b>		<b>15,207</b>	<b>14,300</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(2,090)	(2,440)
Interest received on bank deposits		28	37
		<b>(2,062)</b>	<b>(2,403)</b>
<b>Net cash (used in) investing activities</b>		<b>(2,062)</b>	<b>(2,403)</b>
<b>Financing activities</b>			
Repayment of bank borrowings		(4,454)	(11,136)
Interest paid on borrowings		(2,839)	(3,116)
Loan made to related party		-	(5,545)
		<b>(7,293)</b>	<b>(19,797)</b>
<b>Net cash (used in) financing activities</b>		<b>(7,293)</b>	<b>(19,797)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,852</b>	<b>(7,900)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>9,537</b>	<b>17,437</b>
		<b>15,389</b>	<b>9,537</b>
<b>Cash and cash equivalents at end of year</b>		<b>15,389</b>	<b>9,537</b>

The notes on pages 18 to 48 form part of these financial statements.

# Havana Holdings (UK) Limited

## Consolidated statement of changes in equity For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
<b>31 December 2017</b>	42,500	5,000	(36,678)	10,822
<b>Comprehensive (loss) for the year</b>				
Profit for the year	-	-	5,478	5,478
Other comprehensive loss	-	-	(787)	(787)
<b>Total comprehensive profit for the year</b>	-	-	4,691	4,691
<b>31 December 2018</b>	42,500	5,000	(31,987)	15,513
	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
<b>31 December 2016</b>	42,500	5,000	(36,767)	10,733
<b>Comprehensive (loss)/income for the year</b>				
Loss for the year	-	-	(1,515)	(1,515)
Other comprehensive profit	-	-	1,604	1,604
<b>Total comprehensive profit for the year</b>	-	-	89	89
<b>31 December 2017</b>	42,500	5,000	(36,678)	10,822

The notes on pages 18 to 48 form part of these financial statements.

# Havana Holdings (UK) Limited

## Company of changes in equity For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
<b>31 December 2017</b>	42,500	5,000	(32,047)	15,453
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,175	2,175
<b>Total comprehensive profit for the year</b>	-	-	2,175	2,175
<b>31 December 2018</b>	<b>42,500</b>	<b>5,000</b>	<b>(29,872)</b>	<b>17,628</b>
	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
<b>31 December 2016</b>	42,500	5,000	(41,245)	6,255
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	9,198	9,198
<b>Total comprehensive profit for the year</b>	-	-	9,198	9,198
<b>31 December 2017</b>	<b>42,500</b>	<b>5,000</b>	<b>(32,047)</b>	<b>15,453</b>

The notes on pages 18 to 48 form part of these financial statements.

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018

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### 1 Accounting policies

Havana Holdings (UK) Limited is a company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is given on the contents page. The consolidated financial statements incorporate the financial statements of Havana Holdings (UK) Limited and its subsidiaries (the Group).

The company is a private company limited by shares.

#### ***Basis of preparation***

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 are presented in Sterling, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) as adopted by the European Union and IFRIC Interpretations and in accordance with the provisions of Companies Act 2006.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

#### ***Basis of measurement***

The consolidated financial statements have been prepared on a historical cost basis, except for the following items:

- Financial instruments - fair value through profit or loss
- Net defined benefit asset

#### ***Going concern***

As at 31 December 2018, the Group had net current liabilities of £37,882,000 and the Company had net current liabilities of £26,043,000, which arise from a loan due to a related party of £40,740,000 being due within one year recognised in the books of the company. The company has received confirmation that the loan balance will not be recalled until the company has sufficient financial resources for repayment. Forecasts have been prepared which show the Group is to meet their remaining liabilities as they fall due.

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 1 Accounting policies

#### *Changes in accounting policies*

##### a) New standards, interpretations and amendments effective from 1 January 2018

New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

- IFRS 15 Revenue from Contracts with Customers (IFRS 15)

Details of the impact this new standard has had are given in note 25 below.

- IFRS 9 Financial Instruments (IFRS 9) is also effective for the year ended 31 December 2018 however it has not had a material impact on the Group's results.

##### b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is:

- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019).

Havana Holdings (UK) Limited has progressed its projects dealing with the implementation of these key new accounting standards and management are assessing the impact on the financial statements.

#### *Revenue recognition*

##### *Provision of hotel accommodation, meals, leisure fees and other services*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue is recognised at the point the service is provided. Deposits are held in the statement of financial position and presented as a current liability.

Amounts paid to the hotel operator, Hyatt, representing points earned by customers for being members of the Hyatt Group loyalty scheme were previously shown within operating expenses. Following the introduction of IFRS 15 these are now shown as a deduction to revenue, details are given in Note 25.

#### *Basis of consolidation*

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

### 1 Accounting policies *(continued)*

#### ***Basis of consolidation (continued)***

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the Group as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

#### ***Impairment of non-financial assets (excluding inventories 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.

#### ***Foreign currency***

Transactions entered into by Group entities 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.

#### ***Financial assets***

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

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

##### ***Fair value through profit or loss***

This category comprises only in-the-money derivatives (see "Financial liabilities" section for out-of-the-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

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### 1 Accounting policies *(continued)*

#### **Financial assets** *(continued)*

##### *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 (e.g. 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 Group 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 consolidated 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 Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated 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 consolidated statement of financial position.

#### **Financial liabilities**

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

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

##### *Fair value through profit or loss*

This category comprises only out-of-the-money derivatives (see "Financial assets" for in the money derivatives). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

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### 1 Accounting policies *(continued)*

#### **Financial liabilities** *(continued)*

##### *Other financial liabilities*

Other financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

#### **Share capital**

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

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

#### **Defined contribution schemes**

Contributions to defined contribution pension schemes are charged to the consolidated 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.

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).



# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

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### 1 Accounting policies *(continued)*

#### **Defined benefit schemes *(continued)***

*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.

#### **Leased assets**

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (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 consolidated 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 Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated 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.

#### **Dividends**

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

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 1 Accounting policies (continued)

#### 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.

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 Group 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.

#### Property, plant and equipment

Items of property, plant and equipment 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 on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Long leasehold land and buildings	-	2% per annum straight line
Fixtures, fittings, tools and equipment	-	10% per annum straight line

#### Inventories

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

#### Interest income

Income is recognised as interest accrues.

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

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### 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 Group 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.

- *Fair value measurement*

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

The fair value measurement of the Group'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 Group measures the following items at fair value.

- Derivative financial instruments (notes 3 and 13)
- Defined benefit asset (note 20)

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 3 Financial instruments - Risk Management

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

- Credit risk
- Interest rate risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group'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 Group'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 Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Bank loans, and
- Interest rate swaps.

#### (ii) Financial instruments by category

##### Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Group</b>				
Cash and cash equivalents	-	-	15,389	9,537
Trade and other receivables	-	-	11,247	10,572
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total financial assets</b>	-	-	26,636	20,109
	<hr/>	<hr/>	<hr/>	<hr/>

	Financial assets at fair value through profit or loss		Loans and receivables	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Company</b>				
Cash and cash equivalents	-	-	49	53
Trade and other receivables	-	-	33,261	33,261
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total financial assets</b>	-	-	33,310	33,314
	<hr/>	<hr/>	<hr/>	<hr/>

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 *(continued)*

## 3 Financial instruments - Risk Management *(continued)*

### *(ii) Financial instruments by category (continued)*

Financial liabilities	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	2018	2017	2018	2017
Group	£'000	£'000	£'000	£'000
Trade and other payables	-	-	1,545	1,144
Loans and borrowings	-	-	120,716	125,045
Interest rate swaps	1,010	2,130	-	-
	<u>1,010</u>	<u>2,130</u>	<u>122,261</u>	<u>126,189</u>
<b>Total financial liabilities</b>	<b>1,010</b>	<b>2,130</b>	<b>122,261</b>	<b>126,189</b>

Financial liabilities	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	2018	2017	2018	2017
Company	£'000	£'000	£'000	£'000
Trade and other payables	-	-	6	6
Loans and borrowings	-	-	120,716	125,045
Interest rate swaps	1,010	2,130	-	-
	<u>1,010</u>	<u>2,130</u>	<u>120,722</u>	<u>125,051</u>
<b>Total financial liabilities</b>	<b>1,010</b>	<b>2,130</b>	<b>120,722</b>	<b>125,051</b>

### *(iii) Financial instruments not measured at fair value*

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

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

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 3 Financial instruments - Risk Management (continued)

### (iv) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

31 December 2018	Level 1		Level 2		Level 3	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Financial liabilities</b>						
Interest rate swaps (fair value through profit or loss)	-	-	1,010	2,130	-	-

The valuation techniques and significant inputs used in determining the fair value measurement of level 2 financial instruments are set out in the table below.

Financial instrument	Valuation techniques used	Significant inputs
Interest rate swap	Present value of fixed and floating leg	Calculated forward rates for floating coupon payments

There were no changes to the valuation techniques during the period.

### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group'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 Group'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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group 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.

Further disclosures regarding trade and other receivables are provided in note 14.

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 3 Financial instruments - Risk Management (continued)

#### Cash in bank and short-term deposits

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

	2018 Rating (Fitch)	2018 Cash at bank £'000	2017 Rating (Fitch)	2017 Cash at bank £'000
Barclays Bank Plc	A+	10,869	A	5,445
National Bank of Kuwait	AA-	4,500	AA-	4,047
		<hr/>		<hr/>
		15,369		9,492
		<hr/>		<hr/>

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.

#### Market risk and interest rate risk

Market risk arises from the Group's use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk).

The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rate.

The Group manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps (quantitative disclosures are given in note 13). The Group raises long-term borrowings at floating rates and swaps them into fixed.

At 31 December 2018, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, loss after tax for the year would have been £1,158,000 (2017 - £1,036,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. The directors consider that 100 basis points is the maximum likely change in interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

#### Liquidity risk

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

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

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

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 *(continued)*

## 3 Financial instruments - Risk Management *(continued)*

### *Liquidity risk (continued)*

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

Group	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
<b>At 31 December 2018</b>					
Trade and other payables	1,539	-	-	-	-
Loans and borrowings	40,740	4,454	75,522	-	-
Interest rate swaps	-	-	1,010	-	-
<b>Total</b>	<b>42,279</b>	<b>4,454</b>	<b>76,532</b>	<b>-</b>	<b>-</b>
<b>Company</b>					
<b>At 31 December 2018</b>					
Loans and borrowings	40,740	4,454	75,522	-	-
Interest rate swaps	-	-	1,010	-	-
<b>Total</b>	<b>40,740</b>	<b>4,454</b>	<b>76,532</b>	<b>-</b>	<b>-</b>
<b>Group</b>					
<b>At 31 December 2017</b>					
Trade and other payables	1,144	-	-	-	-
Loans and borrowings	40,740	4,454	4,454	75,397	-
Interest rate swaps	-	-	-	2,130	-
<b>Total</b>	<b>41,884</b>	<b>4,454</b>	<b>4,454</b>	<b>77,527</b>	<b>-</b>
<b>Company</b>					
<b>At 31 December 2017</b>					
Loans and borrowings	40,740	4,454	4,454	75,397	-
Interest rate swaps	-	-	-	2,130	-
<b>Total</b>	<b>40,740</b>	<b>4,454</b>	<b>4,454</b>	<b>77,527</b>	<b>-</b>



# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 3 Financial instruments - Risk Management (continued)

#### Capital Disclosures

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

The Group'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 Group sets the amount of capital it requires in proportion to risk. The Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital using a loan to value ratio, which is debt as a percentage of the market value of 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 2018.

### 4 Revenue

Revenue represents the invoiced value of goods and services, exclusive of VAT, provided to customers of the Hyatt Regency London - The Churchill Hotel, Portman Square, London. All revenue is generated in the United Kingdom.

The directors consider the whole of the activities of the group constitute a single class of business.

### 5 Profit from operations

	2018 £'000	2017 £'000
This is arrived at after charging:		
Depreciation on fixed assets	5,274	7,290
Operating lease rentals:		
- land and buildings	215	284
- plant and machinery	69	46
Auditor's remuneration:		
- audit of the company's accounts	19	18
- audit of other group companies' accounts	48	47
- taxation services		
- other services	19	13
- assurance related services	1	1

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 6 Employee benefit expenses

	2018 £'000	2017 £'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	11,224	10,909
Defined contribution pension cost	218	156
Defined benefit pension cost	834	686
Social security costs	1,000	927
	<u>13,276</u>	<u>12,678</u>

The average number of employees during the year was 318 (2017 - 334).

### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the company listed on page 3.

	2018 £'000	2017 £'000
Salary	<u>62</u>	<u>56</u>

## 7 Finance income and expense

### Recognised in profit or loss

	2018 £'000	2017 £'000
<b>Finance income</b>		
Interest received on bank deposits	<u>28</u>	<u>37</u>
<b>Finance expense</b>		
Interest on bank loans	2,840	3,060
Interest on group borrowings	3,259	3,185
Amortisation of professional fees	125	126
Net interest on net employee benefit liability	<u>13</u>	<u>56</u>
<b>Total finance expense</b>	<u>6,237</u>	<u>6,427</u>

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

### 8 Finance income and expense *(continued)*

The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:

	2018 £'000	2017 £'000
Total interest income on financial assets	28	37
Total interest expense on financial liabilities	(6,224)	(6,371)
	<u>(6,196)</u>	<u>(6,334)</u>

### 9 Tax expense

	2018 £'000	2017 £'000
<b>Tax expense</b>		
<b>Current tax expense</b>		
Current tax on profits for the year	1,709	1,665
Adjustment for under provision in prior periods	(858)	4
<b>Total current tax</b>	<u>851</u>	<u>1,669</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(277)	(214)
Impact of change in future rate of taxation	7	(23)
Adjustment in respect of previous years	486	-
<b>Total deferred tax income</b>	<u>216</u>	<u>(237)</u>
	<u><b>1,067</b></u>	<u><b>1,432</b></u>

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 9 Tax expense (continued)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2018 £'000	2017 £'000
Profit/(loss) before tax	6,545	(83)
Tax using the Company's standard tax rate of 19.00% (2017 – 19.25%)	1,244	(16)
Effects of:		
Expenses not deductible for tax purposes	322	94
Adjustment for under provision in previous periods	(372)	4
Fixed asset differences	119	969
Other differences	(253)	358
Impact of change in tax rates	7	23
Total tax income	1,067	1,432

#### Changes in tax rates and factors affecting the future tax charge

As a result of the Finance Bill 2016 the rate of income tax has been reduced from 20% to 19% for years starting the 1 April 2017, 2018 and 2019 and 18% for the year starting 1 April 2020. In July 2016, the Finance Bill 2016 reduced the rate of income tax further, from 18% to 17% for years starting 1 April 2020.

Deferred tax balances as at 31 December 2018 have been recognised at 17% (2017 - 17%), the rate of corporation tax substantively enacted by the reporting date.

#### Estimates and assumptions

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Tax on each component of other comprehensive income is as follows:

	2018			2017		
	Before tax £'000	Tax £'000	After tax £'000	Before tax £'000	Tax £'000	After tax £'000
Actuarial (loss)/gain on defined benefit pension schemes	(1017)	230	(787)	1,875	(271)	1,604

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 *(continued)*

## 10 Property, plant and equipment

Group	Long leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2017	168,031	50,569	218,600
Additions	-	2,440	2,440
<b>At 31 December 2017</b>	<b>168,031</b>	<b>53,009</b>	<b>221,040</b>
At 1 January 2018	168,031	53,009	221,040
Additions	-	2,090	2,090
<b>At 31 December 2018</b>	<b>168,031</b>	<b>55,099</b>	<b>223,130</b>
<b>Accumulated depreciation</b>			
At 1 January 2017	41,152	21,521	62,673
Depreciation	2,787	4,503	7,290
<b>At 31 December 2017</b>	<b>43,939</b>	<b>26,024</b>	<b>69,963</b>
At 1 January 2018	43,939	26,024	69,963
Depreciation	2,787	2,487	5,274
<b>At 31 December 2018</b>	<b>46,726</b>	<b>28,511</b>	<b>75,237</b>
<b>Net book value</b>			
At 1 January 2017	126,879	29,048	155,927
At 31 December 2017	124,092	26,985	151,077
<b>At 31 December 2018</b>	<b>121,305</b>	<b>26,588</b>	<b>147,893</b>

Bank borrowings are secured on the Group's leasehold land and buildings.

There were no fixed assets held within the company (2017 - £Nil).

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 *(continued)*

## 11 Investments in subsidiaries

Company	2018 £'000	2017 £'000
<i>Cost and net book value</i>		
At 1 January and 31 December	120,138	120,138

The company's subsidiaries, owned directly or indirectly and included within the consolidated financial statements are as follows:

Name	Principal activities	Description and proportion of shares held	Country of registration
Primeairo Limited	Holding company	100% ordinary shares	England
International Hoteliers (UK) Limited	Hotel owning company	100% ordinary shares	England
Churchill Group Limited	Hoteliers	100% ordinary shares 100% deferred shares	England

The registered addresses of the subsidiaries are the same as for the company.

## 12 Inventories

	Group 2018 £'000	Group 2017 £'000
Goods for resale	218	180
Operating equipment	296	296
	514	476

## 13 Derivative financial instruments

### Group and Company

Derivative financial liabilities	2018 £'000	2017 £'000
Derivatives not designated as hedging instruments:		
Interest rate swaps	1,010	2,130
Total derivatives	1,010	2,130
Less non-current portion:		
Interest rate swaps	(1,010)	(2,130)
Current portion	-	-

### Interest rate swaps

The Group manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Normally the Group raises long-term borrowings at floating rates and swaps them into fixed rates.

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 14 Trade and other receivables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade receivables	3,089	2,394	-	-
Prepayments and accrued income	779	751	-	-
Other receivables	1,778	1,798	2	2
Due from subsidiary undertakings	-	-	32,425	32,425
Due from related parties	6,380	6,380	834	834
<b>Total trade and other receivables</b>	<b>12,026</b>	<b>11,323</b>	<b>33,261</b>	<b>33,261</b>

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

The Group does not hold any collateral as security.

As at 31 December 2018 trade receivables of £304,000 (2017 - £413,411) were past due but not impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

	2018 £'000	2017 £'000
1 to 3 months	102	184
3 to 6 months	202	229
	<b>304</b>	<b>413</b>

Movements in the impairment allowance for trade receivables are as follows:

	2018 £'000	2017 £'000
At 1 January	-	-
Increase during the year	-	-
Receivable written off during the year as uncollectible	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>

The movement in the impairment allowance for trade receivables has been included in the other operating charges line in the consolidated statement of comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 15 Trade and other payables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade payables	1,539	1,138	-	-
Due to subsidiary undertakings	-	-	-	-
Accruals and deferred income	16,699	12,994	14,153	10,894
Other taxation and social security	1,151	1,054	-	-
Other creditors	6	6	6	6
<b>Total trade and other payables</b>	<b>19,395</b>	<b>15,192</b>	<b>14,159</b>	<b>10,900</b>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

## 16 Loans and borrowings

The book value and fair value of loans and borrowings are as follows:

Group and Company	Book value 2018 £'000	Fair value 2018 £'000	Book value 2017 £'000	Fair value 2017 £'000
<b>Non-Current</b>				
Bank loans	75,522	79,976	79,851	79,851
	<b>75,522</b>	<b>79,976</b>	<b>79,851</b>	<b>79,851</b>
<b>Current</b>				
Loan from related party	40,740	40,740	40,740	40,740
Bank loans	4,454	-	4,454	4,454
	<b>45,194</b>	<b>40,740</b>	<b>45,194</b>	<b>45,194</b>
<b>Total loans and borrowings</b>	<b>120,716</b>	<b>120,716</b>	<b>125,045</b>	<b>125,045</b>

All loans and borrowings are denominated in Sterling.

The bank loan is secured by a fixed and floating charge over the assets of the group. Interest on the bank loan is charged at 1.6% above LIBOR. £4,454,000 is due to be repaid during 2018 and during 2019 and the remaining balance in 2020.

The related party loan was due for payment at the balance sheet date and accordingly the full related party loan is shown as current and is repayable on demand. However support has been obtained to confirm it will not be repaid until the Group is able to do so. Interest is charged at a fixed rate of 8% per annum.



# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 17 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19.00% (2017 – 19.25%). The reduction in the main rate of corporation tax to 17% was substantively enacted in July 2015. This new rate has been applied to deferred tax balances which are expected to reverse after 1 April 2020, the date on which that new rate becomes effective.

The movement on the deferred tax account is as shown below:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At 1 January	(15,522)	(15,488)	76	87
<i>Recognised in profit and loss</i>				
Tax income	(216)	237	(11)	(11)
<i>Recognised in other comprehensive income:</i>				
Actuarial gain on defined benefit pension schemes	230	(271)	-	-
At 31 December	<u>(15,508)</u>	<u>(15,522)</u>	<u>65</u>	<u>76</u>

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.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) during the period are shown below:

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 17 Deferred tax (continued)

Details of the deferred tax liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

Group	Asset 2018 £'000	Liability 2018 £'000	Net 2018 £'000	Charged/ (credited) to profit or loss 2018 £'000	(Credited) to equity 2018 £'000
Accelerated capital allowances	192	-	192	573	-
Employee pension liabilities	376	-	376	-	(230)
Land and buildings	-	(16,141)	(16,141)	(368)	
Other temporary and deductible differences	65	-	65	11	-
	<u>633</u>	<u>(16,141)</u>	<u>(15,508)</u>	<u>216</u>	<u>(230)</u>
Net tax assets	<u>633</u>	<u>(16,141)</u>	<u>(15,508)</u>	<u>216</u>	<u>(230)</u>
Company	Asset 2018 £'000	Liability 2018 £'000	Net 2018 £'000	Charged to profit or loss 2018 £'000	Charged to equity 2018 £'000
Other temporary and deductible differences	65	-	65	11	-
	<u>65</u>	<u>-</u>	<u>65</u>	<u>11</u>	<u>-</u>
Net tax assets	<u>65</u>	<u>-</u>	<u>65</u>	<u>11</u>	<u>-</u>

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 17 Deferred tax (continued)

Group	Asset 2017 £'000	Liability 2017 £'000	Net 2017 £'000	Charged/ (credited) to profit or loss 2017 £'000	Charged to equity 2017 £'000
Accelerated capital allowances	765	-	765	120	-
Employee pension liabilities	146	-	146	-	271
Land and buildings	-	(16,509)	(16,509)	(368)	-
Other temporary and deductible differences	76	-	76	11	-
	<u>987</u>	<u>(16,509)</u>	<u>(15,522)</u>	<u>(237)</u>	<u>271</u>
Net tax assets					
	<u>987</u>	<u>(16,509)</u>	<u>(15,522)</u>	<u>(237)</u>	<u>271</u>
Company	Asset 2017 £'000	Liability 2017 £'000	Net 2017 £'000	Charged to profit or loss 2017 £'000	Charged to equity 2017 £'000
Other temporary and deductible differences	76	-	76	11	-
	<u>76</u>	<u>-</u>	<u>76</u>	<u>11</u>	<u>-</u>
Net tax assets					
	<u>76</u>	<u>-</u>	<u>76</u>	<u>11</u>	<u>-</u>

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 17 Deferred tax (continued)

A deferred tax asset has not been recognised for the following:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Unused tax losses	-	-	-	-

## 18 Share capital

	2018 Number	Authorised 2017 Number	2018 £'000	2017 £'000
Ordinary shares of £1 each	100,000,000	100,000,000	100,000	100,000

	2018 Number	Allotted, called up and fully paid 2017 Number	2018 £'000	2017 £'000
Ordinary shares of £1 each	42,500,000	42,500,000	42,500	42,500

## 19 Reserves

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

Reserves	Description and purpose
<i>Share premium</i>	Amount subscribed for share capital in excess of nominal value.
<i>Retained earnings</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

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### 20 Defined benefit schemes

#### *Defined benefit scheme characteristics and funding*

The Group 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 Group are determined using methods relying on actuarial estimates and assumptions. The Group 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.

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 20 Defined benefit schemes (continued)

### Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of scheme assets		Net defined scheme asset/(liability)	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance on 1 January</b>	<b>(42,747)</b>	<b>(41,274)</b>	<b>41,890</b>	<b>38,823</b>	<b>(857)</b>	<b>(2,451)</b>
Service cost - current	(667)	(686)	-	-	(667)	(686)
Service cost - past	(167)	-	-	-	(167)	-
Interest cost	(1,009)	(1,037)	996	981	(13)	(56)
Administrative costs	-	-	(131)	(203)	(131)	(203)
<b>Included in profit or loss</b>	<b>(1,843)</b>	<b>(1,723)</b>	<b>865</b>	<b>778</b>	<b>(978)</b>	<b>(945)</b>
Remeasurement loss (gain)						
(a) Actuarial (loss)/gain	1,768	(924)	-	-	1,768	(924)
(b) Return on plan assets (excluding interest)	(224)	-	(2,561)	2,799	(2,785)	2,799
<b>Included in other comprehensive income</b>	<b>1,544</b>	<b>(924)</b>	<b>(2,561)</b>	<b>2,799</b>	<b>(1,017)</b>	<b>1,875</b>
Employer contributions			644	664	644	664
Plan participant contributions	(50)	(51)	50	51	-	-
Benefits paid	1,374	1,225	(1,374)	(1,225)	-	-
<b>Other movements</b>	<b>1,324</b>	<b>1,174</b>	<b>(680)</b>	<b>(510)</b>	<b>644</b>	<b>664</b>
<b>Balance on 31 December</b>	<b>(41,722)</b>	<b>(42,747)</b>	<b>39,514</b>	<b>41,890</b>	<b>(2,208)</b>	<b>(857)</b>

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 20 Defined benefit schemes (continued)

### Disaggregation of defined benefit scheme assets

The fair value of the assets is analysed as follows:

	2018 £'000	2017 £'000
Equity securities (quoted)	14,660	16,505
Bonds (quoted)	18,690	19,311
Real estate property	4,504	4,357
Other	1,660	1,717
	<u>39,514</u>	<u>41,890</u>

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:

	2018	2017
Discount rate	2.65%	2.4%
Rate of growth in future salaries	3.35%	3.2%
Rate of increase in inflation	3.65%	3.2%
Rate of pension increases (in-payment)	5%	5.0%
Rate of pension increases (deferred)	2.35%	2.2%
Life expectancy from age 65 (currently aged 65 years old)		
- Males	22.6	22.5
- Females	24.9	24.8
Life expectancy from age 65 (reaching age 65 in 15 years time)		
- Males	24.2	24.0
- Females	26.6	26.5

The weighted-average duration of the defined benefit obligation at 31 December 2018 was 18 years.

# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 20 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	Decrease
Discount rate	(+/- 0.25%)	(40,045)	(43,827)
Price inflation	(+/- 0.25%)	(42,340)	(41,468)
Mortality	Increase of 1 year in expected lifetime of plan participants	(43,977)	

## 21 Provisions

	2018 £'000	2017 £'000
Legal disputes	250	1,750

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

## 22 Related party transactions

The Group's immediate parent company is Stellar Holdings SA, a company registered in Luxembourg. The ultimate parent company is Prime Capital SA, a company registered in Luxembourg. The beneficial owner is Sheikh Hamad bin Jassim bin Jabel Al Thani.

As at the year end, the Group and the Company owe an amount of £40,740,000 (2017 - £40,740,000) to the parent company Stellar Hotels SA. During the year, interest of £3,259,000 (2017 - £3,185,274) was charged on this loan which was included in accruals at the year end.

At the year end, the Group recognised a receivable from Capital Hill Hotels Limited of £6,380,000 (2017 - £6,380,000) and the Company recognised a receivable of £834,000 (2017 - £834,000). This amount is interest free and repayable on demand. Capital Hill Hotels Limited is related to the company by virtue of ultimate common control.

During the year, the Company has earned management charge income of £3,113,000 (2017 - £3,540,000) from subsidiary Churchill Group Limited. Dividend income of £4,454,545 (2017 - £11,136,363) was declared by Churchill Group Limited and recognised as income in the books of intermediate holding companies and the Company. As at the year end, an amount of £32,425,000 (2017 - £32,425,000) was due to the Company by subsidiary Churchill Group Limited.

Details of directors' and key management personnel remuneration are given in note 6.

The Group has not made any allowance for bad or doubtful debts in respect of related party debtors during 2018 or 2017 regarding related party transactions.

The bank loan disclosed in note 15 is part of a joint loan with a related party for a total of £180,000,000 (2017 - £190,000,000). There is a cross guarantee in place across the Group and the related party for this loan.



# Havana Holdings (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 23 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2018 £'000	2017 £'000
Cash at bank available on demand (Note 3)	15,317	9,492
Cash on hand	72	45
	<u>15,389</u>	<u>9,537</u>

There were no significant non cash transaction in the year.

Non-cash transactions from financing activities are shown in the table below:

	Non-current loans and borrowings £'000 (note 16)	Current loans and borrowings £'000 (note 16)	Interest accrual £'000	Interest rate swap liabilities £'000 (note 13)
At 1 January 2018	79,851	45,194	10,894	2,130
Cash flows		(4,454)	-	-
Non cash flows:				
- Loans and borrowings classified as non-current at 31 December 2017 becoming current in 2018	(4,454)	4,454	-	-
- Amortisation of fees	125	-	-	125
- Fair value changes	-	-	-	(1,120)
- Interest accruing in period	-	-	3,259	-
	<u>75,522</u>	<u>45,194</u>	<u>14,153</u>	<u>1,010</u>
At 31 December 2018				

# Havana Holdings (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 24 Operating lease

As at 31 December 2018, the total future value of minimum lease payments due is as follows:

	Land and buildings 2018 £'000	Other 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000
Not later than one year	200	1	200	1
Later than one year and not later than five years	800	-	800	-
Later than five years	17,608	-	17,808	-
	<u>18,608</u>	<u>1</u>	<u>18,808</u>	<u>1</u>

### 25 Effects of changes in accounting standards

The Group adopted IFRS 9 and IFRS 15 with a transition date of 1 January 2018. As a result of the adoption of IFRS 15 and the changes in the revenue accounting policy, prior year financial statements were restated. The impact of IFRS 9 has not been material to these financial statements.

The following tables show the adjustments recognised for each line item of the financial statements affected.

	Adjustments	2017 As originally presented	IFRS 15	2017 As restated
<b>Revenue</b>	a	43,471	(631)	42,840
Raw materials and consumables used		(1,788)	-	(1,788)
Other external charges		(1,418)	-	(1,418)
Staff costs		(12,678)	-	(12,678)
Depreciation expense		(7,290)	-	(7,290)
Other operating charges	a	(13,625)	631	(12,994)
Other income/(charges)		(1,750)	-	(1,750)
		<u>4,922</u>	<u>-</u>	<u>4,922</u>
<b>Profit from operations</b>		<u>4,922</u>	<u>-</u>	<u>4,922</u>

Adjustments recognised in 2017 following implementation of IFRS 15:

- a) Costs relating to the Hyatt loyalty scheme of £631,000 originally recognised within other operating charges in 2017 have now been recognised as a reduction in revenue under IFRS 15.