MHG Senior Borrower Limited

Reports and financial statements

For the year ended 31 December 2018

Registered number: 08313665

MHG Senior Borrower Limited

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MHG Senior Borrower Limited

Directors and other information

Directors	Marc Socker Liam Cunningham Mark Vose
Registered office	27 Knightsbridge Mayfair SW1X 7LY
Bankers	Barclays Bank 1 Churchill Place London E14 5HP Allied Irish Bank (GB) City Office 9 – 10 Angel Court London EC2R 7AB
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Solicitors	Macfarlanes LLP 20 Cursitor Street London EC4A 1LT
Registered number	08313665

MHG Senior Borrower Limited

Strategic report

The Directors present their Strategic report for the year ended 31 December 2018.

Activities

The principal activity of the company is that of a holding and financing company for group companies operating in the hotel and restaurant industry. On 12 December 2017 the Company repaid its £777.1 million facility obligation under the existing agreement with Barwa Bank and disposed of 100% of the share capital of Maybourne Hotels Limited, the Connaught Hotel Limited and The Berkeley Hotel Limited to Selene Midco Limited, its sister company at the time.

On 12 December 2017, the Company's intermediate parent company Coroin Limited was sold and as a result the Company's ultimate parent company ownership changed. This has no impact on the underlying trade of the business.

Business review

The profit and loss for the year is set out on page 9. The profit for the year to 31 December 2018 before taxation was £1.8 million *(2017: £622 million).*

Principal risks and uncertainties

The directors consider that the following are the principal risk factors that could materially and adversely affect the company's future operating profits or financial position.

- General economic risk – the company through its investments in subsidiary undertakings is exposed to general economic risk, including changes in the economic outlook in the hotel and leisure industry. The company is also exposed to government changes in industrial, fiscal, monetary or regulatory policies.
- Liquidity risk - the company is funded by a long term Murabaha agreement expiring in October 2022 as well as amounts payable to group undertakings. The company has obtained a letter of support from the UK ultimate parent Coroin Limited to ensure that it can meet its liabilities as they fall due.

The company has a successful track record of managing these risks. The directors are confident that they have put in place a strong management team and suite of products capable of dealing with the above issues as they arise.

Approved by the Board of Directors and signed on behalf of the Board

Liam Cunningham
Director

26 September 2019

MHG Senior Borrower Limited

Directors' report

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

Directors and their interests

The directors who held office during the year were as follows:

Liam Cunningham	
Marc Socker	Appointed on 1 December 2018
Mark Vose	Appointed on 1 December 2018
Fady Bakhos	Resigned on 1 December 2018

The directors and secretary do not hold any material interests in the shares of the company or any other company in the group

Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Future developments

The directors expect that the company is not expected to trade for the foreseeable future.

Dividends

The dividends paid during the year amounted to £Nil (2017: £285.5 million)

Financial instruments

The Company finances its activities with a combination of bank loans and amounts owed to group companies, as disclosed in notes 10 and 11. The Company also enters into derivative transactions, including principally interest rate caps. The purpose is to manage the interest rate risk arising from its sources of finance.

Financial instruments interest rate risk information on how this risk arises is set out in the Strategic report above, as are the objectives, policies and processes for their management and the methods used to measure this risk.

Use of derivatives

The company historically uses an interest rate caps to adjust interest rate exposures in order to limit interest payments. Whilst the variable rate loan agreements have now been replaced, these interest rate caps are still in place.

Hedge accounting is not applied.

Disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Political and charitable contributions

The company made no political or charitable contributions during the year (2017: nil).

Research and development

The company did not incur any expenses in relation to research and development in the year (2017 nil).

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to economic, interest rate and liquidity risks are described in the Strategic Report on page 2.

The group headed by Regis Investments S.A. has considerable financial resources and has provided a letter of financial support to Coroin Limited and its subsidiaries. As a consequence, the directors believe that the Group and the company are well placed to manage their business risks successfully and meet their liabilities as they fall due.

After making enquiries, and taking into account the support of Regis Investments S.A., the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board

Liam Cunningham
Director

26 September 2019

MHG Senior Borrower Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework.*

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board

Liam Cunningham
Director

26 September 2019

Independent auditor's report to the members of MHG Senior Borrower Limited

Opinion

We have audited the financial statements of MHG Senior Borrower Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18, 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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 below. 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of MHG Senior Borrower Limited *(continued)*

Other information *(continued)*

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 the 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the 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 or Directors' 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' responsibilities statement set out on page 5, 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 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.

Independent auditor's report to the members of MHG Senior Borrower Limited *(continued)*

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 on 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.

Ernst & Young LLP

Rebecca Turner (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

1 More London Place

London

SE1 2AF

27 September 2019

MHG Senior Borrower Limited

Registered number: 08313665

Statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Income from shares in group undertakings	5	-	785,798
Administrative expenses		-	(65)
Operating profit		-	785,733
Interest receivable/(payable) and similar charges	6	**1,793**	(31,217)
Amounts written off investments	9	-	(73,535)
Loss on disposal of subsidiaries	7	-	(58,950)
Profit on ordinary activities before tax		**1,793**	622,031
Tax charge on profit on ordinary activities	8	**(16)**	(25)
Profit for the financial year		**1,777**	622,006

There are no other comprehensive income or losses for the year or preceding financial year.

MHG Senior Borrower Limited

Registered number: 08313665

Balance sheet
at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments	*9*	**412,465**	412,465
Current assets			
Cash		**1**	1
Debtors	*10*	**39,617**	39,633
		39,618	39,634
Creditors: amounts falling due within one year	*11*	**(261,775)**	(263,567)
Net current liabilities		**(222,157)**	(223,933)
Total assets less current liabilities		**190,308**	188,531
Creditors: amounts falling due after one year	*12*	**-**	-
Net assets		**190,308**	188,531
Capital and reserves			
Called up share capital	*14*	**-**	-
Retained earnings		**190,308**	188,531
Shareholders' funds		**190,308**	188,531

These financial statements were approved by the Board of Directors on 26 September 2019.

Signed on behalf of the Board of Directors

Liam Cunningham
Director

MHG Senior Borrower Limited

Registered number: 08313665

Statement of changes in equity

for the year ended 31 December 2018

	Attributable to equity holders of the company		
	Share Capital £'000	Retained Earnings £'000	Total £'000
At 1 January 2017	-	(147,955)	(147,955)
Profit for the year	-	622,006	622,006
Dividend paid	-	(285,519)	(285,519)
At 1 January 2018	-	188,531	188,531
Profit for the year	-	1,777	1,777
At 31 December 2018	**-**	**190,308**	**190,308**

The accompanying notes form an integral part of the financial statements.

During last year the Company paid a dividend to its intermediate parent company MHG Senior Holdco for the amount of £285.5 million. Please refer to Note 15 for further information on dividends paid.

On 12 December 2017, the Company disposed of 100% of the share capital of Maybourne Hotels Limited, the Connaught Hotel Limited and The Berkeley Hotel Limited for consideration of £338.2 million. The company has considered the difference between the consideration received and the fair value of the shares transferred and have recognised a deemed distribution of £116.8 million to reflect this.

Notes
forming part of the financial statements

1 Statement of compliance

The Company is incorporated and domiciled in England and Wales and its registered office is 41-43 Brook Street, Mayfair, W1K 4HJ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

2 Significant accounting policies

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the European Union ("EU IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted certain disclosure exemptions available under FRS 101. These include:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements ofparagraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements ofthe second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c),120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 16 and 1 11 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 130(f), 134(d to f) and 135(c to e) of IAS 36 Impairments of Assets.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Coroin Limited. The results of the Company are included in the publicly available consolidated financial statements of Coroin Limited.

2 Significant accounting policies *(continued)*

As the consolidated financial statements of Coroin Limited include the equivalent disclosures, the company has also taken the exemption under FRS 101 available in respect of the following:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and
- Certain disclosures required by IAS 36 *Impairment of Assets.*

Basis of measurement

These financial statements have been prepared on the historical cost basis.

Foreign currency

Transactions in foreign currencies are translated to the functional currency of the company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Use of estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. There are not considered to be any significant judgements or estimates in the Company's financial statements.

Going concern

The financial statements have been prepared on the going concern basis.

The group headed by Regis Investments S.A. has considerable financial resources and has provided a letter of financial support to Coroin Limited and its subsidiaries. As a consequence, the directors believe that the Group and the company are well placed to manage their business risks successfully and meet their liabilities as they fall due.

After making enquiries, and taking into account the support of Regis Investments S.A., the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2 Significant accounting policies *(continued)*

Tax

Income expense comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to items recognised in OCI or directly in equity, in which case it is recognised in OCI or directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates and laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: those differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of reversal and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow (economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2 Significant accounting policies *(continued)*

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through the statement of profit or loss and other comprehensive income. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the statement of profit or loss and other comprehensive income, transaction costs. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Subsequent measurement
The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment of financial assets
The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the statement of profit or loss and other comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and some intercompany loans, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through the statement of profit or loss and other comprehensive income, loans and borrowings, or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement – loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.
Ordinary dividends are recognised in the period in which they are paid to shareholders.

New and amended standards adopted by the Company:

For the period beginning on 1 January 2018 the Company has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time. The adoption of these new standards and other amendments to existing standards and interpretations effective from 1 January 2018, did not materially impact the financial statements for the 12 months ended 31 December 2018 and no retrospective adjustments were made.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 replaced the existing regulations for the recognition of revenue in accordance with IAS 18 "Revenue". Consequently, revenues are recognised, when the customer obtains control over the agreed goods and services and can derive benefits from these. There were no material changes identified from adoption of the standard.

IFRS 9 "Financial Instruments"

IFRS 9 provides a standardised approach for classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. There were no material changes identified from adoption of the standard.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the financial statements and that may impact the financial statements are disclosed below. There are no other standards in issue but not yet effective that are expected to have an impact on the financial statements.

		Effective for periods commencing on or after
IFRS 16	Leases	1 January 2019

Notes *(continued)*

2 Significant accounting policies *(continued)*

Standards issued but not yet effective *(continued)*

The Company plans to adopt IFRS 16 using a modified retrospective approach. Under a modified retrospective approach, a company applies the new standard from the beginning of the period this IFRS applies to.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value

The Company has completed its assessment of the potential impact of the first-time adoption of IFRS 16 as of 1 January 2019 and it does not expect it to have any impact on its financial statements in the period of initial application.

3 Staff numbers and costs

The company has no employees (2017: nil).

4 Auditors remuneration

The audit fee of £5,000 (2017: £5,000) is borne by another group company.

5 Income from shares in group undertakings

	2018	2017
	£'000	£'000
Dividend received from subsidiaries	-	785,798

During last year the Company received three dividends from its subsidiary undertakings:

a) non-cash dividend received from its subsidiary Claridge's Hotel Holdings Limited on 12 December 2017 for the amount of £393.4 million;
b) non-cash dividend received from its subsidiary The Berkeley Hotel Limited on 12 December 2017 for the amount of £243.7 million;
c) non-cash dividend received from its subsidiary The Connaught Hotel Limited on 12 December 2017 for the amount of £148.7 million.

Notes *(continued)*

6 Interest payable and similar charges

	2018 £'000	2017 £'000
External bank loans (i)	**(1,793)**	27,351
Accelerated amortisation of loan issue expenses (ii)	**-**	3,866
	(1,793)	31,217

(i) The credit to interest expense relates to the interest expense adjustment that was agreed between the company's parent Coroin Limited and Selene Holdings Limited, a sister company until 12 December 2017. It was agreed during the year that MHG Senior Borrower should be refunded the portion of interest it paid in the prior year on behalf of the new borrowers, The Berkeley Hotel Limited and The Connaught Hotel Limited (the company's sister companies until 12 December 2017) for the period 27 October 2017 to 12 December 2017

(ii) On 12 December 2017 the company repaid both its external and internal loan facilities. Arrangement fees previously offset against old loan facilities were immediately recognised in the profit and loss account in the year ended 31 December 2017.

7 Loss on disposal of subsidiaries

On 12 December 2017, the Company disposed of 100% of the share capital of Maybourne Hotels Limited, the Connaught Hotel Limited and The Berkeley Hotel Limited for consideration of £338.2 million. The company has considered the difference between the consideration received and the fair value of the shares transferred and have recognised a deemed distribution of £116.8 million to reflect this. The company has recognised a loss of £58.9 million on the disposal of the subsidiaries.

Notes *(continued)*

8 Income taxes

(a) Amounts recognised in profit or loss

	2018 £'000	2017 £'000
Current tax		
UK corporation tax	-	-
Adjustment in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	**58**	28
Adjustments in respect of prior periods	**(36)**	-
Impact of change in tax rates	**(6)**	(3)
Total deferred tax charge	**16**	25

Reconciliation of tax charge/(credit)	**2018 £'000**	**2017 £'000**
Profit on ordinary activities before tax	**1,793**	622,031
Profit on ordinary activities before tax at the standard corporation tax rate in UK of 19.00% (2017: 19.25%):	**341**	119,720
Group relief (received)/surrendered	**(283)**	6,068
Expenses not deductible for tax purposes	-	32,440
Non-taxable income	-	(158,169)
Transfer pricing adjustments	-	(2,591)
Amounts not recognised	-	2,557
Adjustments in respect of prior periods	**(36)**	-
Impact of change in tax rates	**(6)**	(3)
Total tax charge	**16**	25

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the company's future tax charge accordingly.

9 Investments

	2018	2017
	£'000	£'000
Investment in shares in subsidiary undertakings		
Balance at the beginning of the year	**412,465**	1,000,000
Sale of subsidiaries	**-**	(514,000)
Impairment on remaining subsidiaries	**-**	(73,535)
Investment in shares in subsidiary undertakings	**412,465**	412,465

None of the shares of the above subsidiary undertakings are listed. In the opinion of the directors the shares in the company's subsidiary and other group undertakings are worth at least the amounts at which they are stated in the balance sheet.

On 12 December 2017, the Company disposed of 100% of the share capital of Maybourne Hotels Limited, the Connaught Hotel Limited and The Berkeley Hotel Limited for consideration of £338.2 million. The company considered the difference between the consideration received and the fair value of the shares transferred and recognised a deemed distribution of £116.8 million to reflect this. The company recognised a loss of £58.9 million on the disposal of the subsidiaries last year.

The company has the following investments in subsidiaries.

Subsidiary undertaking	**Country of Incorporation and operation**	**Activity**	**Shareholding (ordinary shares)**
Claridge's Hotel Holdings Limited	Great Britain	Holding Company	100% (direct)
Claridge's Hotel Limited	Great Britain	Hotel Operations	100% (indirect)
Brook Street 1 Limited	Great Britain	Holding Company	100% (indirect)
Brook Street 2 Limited	Great Britain	Holding Company	100% (indirect)
41-43 Brook Street LLP	Great Britain	Ownership of Property	100% (indirect)
Bluedraft Limited	Great Britain	Ownership of Property	100% (indirect)
Brook Street Trustee Co No. 1 Limited	Great Britain	Hotel Operations	100% (indirect)
Brook Street Trustee Co No. 2 Limited	Great Britain	Dormant company	100% (indirect)
A Goody Rewarded Limited	Great Britain	Dormant company	100% (indirect)
Claridge's Hotel (42000) Limited	Great Britain	Dormant company	100% (indirect)

The registered office of all subsidiary undertakings is 27 Knightsbridge, London, SW1X 7LY.

10 Debtors

	2018 £'000	2017 £'000
Deferred tax asset (see note 13)	**157**	173
Amounts owed from group companies	**39,460**	39,460
	39,617	39,633

11 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to group companies	**261,775**	260,016
Amounts owed to related party	-	3,551
	261,775	263,567

12 Bank and other loans

On 12 December 2017 the Company repaid its £777.1 million facility obligation under the existing agreement with Barwa Bank. New loans were entered into for £384.7 million, £237.7 million and £154.8 million by Claridge's Hotel Holdings Limited, The Berkeley Hotel Limited and The Connaught Hotel Limited, respectively. As such the facility was repaid by the Company and the corresponding arrangement fees fully amortised in that year.

13 Deferred tax assets and liabilities

Deferred tax (assets) and liabilities are attributable to the following;

	1 Jan 2018 £'000	Utilised in year £'000	31 Dec 2018 £'000
Other temporary differences	(173)	16	**(157)**

14 Called up share capital

	2018 £	2017 £
Authorised		
1 ordinary share of £1	**1**	1
Called up, allotted and fully paid		
1 ordinary share of £1	**1**	1

On incorporation the company issued 1 share for £1 cash consideration.

15 Dividends Paid

	2018	2017
	£'000	£'000
Declared and paid during the year		
Deemed distribution	-	116,796,000
Final dividend for 2017: £168,722,644p (2016: £nil)	-	168,722,644
Total dividends paid	-	285,518,644

16 Related party transactions

The company has availed of the exemptions available in FRS 101 from disclosing transactions entered into between two or more members of a group and also key management personnel compensation disclosures.

At 31 December 2017 an amount of £3.5 million remained due to Maybourne Hotels Limited, the company that until 12 December 2017 formed part of the same group with the Company, in relation to interest expense payments for the period of 27 October to 13 December 2017 that were paid by that company on behalf of MHG Senior Borrower Limited. This amount was since settled.

17 Ultimate parent company

The company's ultimate parent company and the largest group in which the results of the company are consolidated is Regis Investments S.A., a company incorporated in Luxembourg

The ultimate controlling party is His Highness Sheikh Hamad Bin Khalifa Al Thani

Coroin Limited, a company incorporated in Great Britain and registered in England and Wales is the smallest group in which the results of the Company are consolidated. Copies of those statutory accounts will be available from its registered office, 27 Knightsbridge, London, SW1X 7LY.

18 Subsequent events

There were no events subsequent to the balance sheet date that require adjustment to or disclosure in the financial statements.