

# MHG Senior Borrower Limited

## Reports and financial statements

For the year ended 31 December 2017

*Registered number: 08313665*

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# MHG Senior Borrower Limited

## Directors' report and financial statements

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# MHG Senior Borrower Limited

## Directors and other information

<b>Directors</b>	Fady Bakhos Liam Cunningham
<b>Registered office</b>	41-43 Brook Street Mayfair London W1K 4HJ
<b>Bankers</b>	Barclays Bank 1 Churchill Place London E14 5HP  Allied Irish Bank (GB) City Office 9 – 10 Angel Court London EC2R 7AB
<b>Auditor</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>Solicitors</b>	Macfarlanes LLP 20 Cursitor Street London EC4A 1LT
<b>Registered number</b>	08313665

# MHG Senior Borrower Limited

## Strategic report

The Directors present their Strategic report for the year ended 31 December 2017.

### Activities

The principal activity of the company is that of a holding and financing company of companies operating in the hotel and restaurant industry.

### Refinancing

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 has been repaid by the Company and the corresponding arrangement fees fully amortised in the year.

The refinancing had net £nil impact on cash for the Company as a result of dividend income received. There is no cash outflow in relation to the debt repayment.

### Disposal

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 to Selene Midco Limited, its sister company, 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.

### Change of ownership

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 10. The profit for the year to 31 December 2017 before taxation was £622 million (2016: loss of £30.2 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.

# MHG Senior Borrower Limited

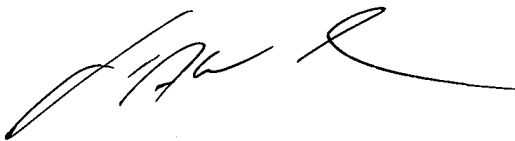
## Strategic report (*continued*)

### Principal risks and uncertainties (*continued*)

- Interest rate risk – the company now has a Murabaha Loan agreement which incurs fixed payments. From historical loan agreements the company has interest rate caps which are exposed to upside interest rate risk.
- 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

27 September 2018

# MHG Senior Borrower Limited

## Directors' report

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

### **Directors and their interests**

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

Fady Bakhos  
Liam Cunningham

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.

### **Dividends**

The dividends paid during the year amounted to £285.5 million (2016: £Nil).

### **Future developments**

The directors expect to implement strategic plans to address the company's deficit on shareholders' funds in the near future.

### **Financial instruments**

The Company finances its activities with a combination of bank loans and amounts owed to group companies, as disclosed in notes 9 and 10. 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.

# MHG Senior Borrower Limited

## Directors' report *(Continued)*

### **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 4. 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 (2016: nil).

### **Research and development**

The company did not incur any expenses in relation to research and development in the year (2016 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

27 September 2018

# 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.

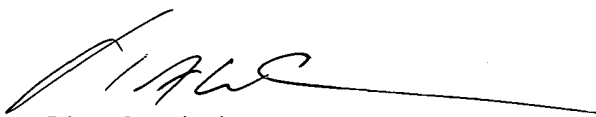
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure 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

27 September 2018



# 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 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report 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 4, 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)

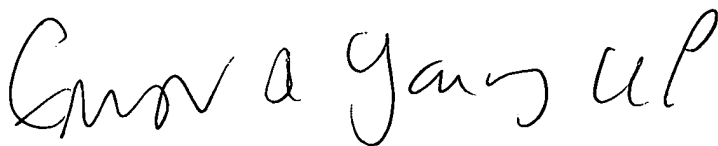
### **Auditor's responsibilities for the audit of the financial statements**

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.



Rebecca Turner (Senior statutory auditor)

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

1 More London Place

London

SE1 2AF

28 September 2018

# MHG Senior Borrower Limited

Registered number: 08313665

## Statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Income from shares in group undertakings	5	785,798	-
Administrative expenses		(65)	(381)
<b>Operating profit/(loss)</b>		<b>785,733</b>	<b>(381)</b>
Interest payable and similar charges	6	(31,217)	(29,835)
Amounts written off investments	9	(73,535)	-
Loss on disposal of subsidiaries	7	(58,950)	-
<b>Profit/(loss) on ordinary activities before tax</b>		<b>622,031</b>	<b>(30,216)</b>
Tax charge on profit/(loss) on ordinary activities	8	(25)	(34)
<b>Profit/(loss) and comprehensive loss for the financial year</b>		<b>622,006</b>	<b>(30,250)</b>

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 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Investments	9	412,465	1,000,000
		<hr/>	<hr/>
<b>Current assets</b>			
Cash		1	1
Debtors	10	39,633	198
		<hr/>	<hr/>
		39,634	199
<b>Creditors: amounts falling due within one year</b>	11	(263,567)	(375,701)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(223,933)	(375,502)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		188,531	624,498
<b>Creditors: amounts falling due after one year</b>	12	-	(772,453)
		<hr/>	<hr/>
<b>Net assets/(liabilities)</b>		188,531	(147,955)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Retained earnings		188,531	(147,955)
		<hr/>	<hr/>
<b>Deficit on shareholders' funds</b>		188,531	(147,955)
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 27 September 2018.

Signed on behalf of the Board of Directors



Liam Cunningham  
Director

27 September 2018

# MHG Senior Borrower Limited

Registered number: 08313665

## Statement of changes in equity for the year ended 31 December 2017

	Attributable to equity holders of the company		
	Share Capital £'000	Retained Earnings £'000	Total £'000
At 1 January 2016	-	(117,705)	(117,705)
Loss for the year	-	(30,250)	(30,250)
	<hr/>	<hr/>	<hr/>
At 1 January 2017	-	(147,955)	(147,955)
Profit for the year	-	622,006	622,006
Dividend paid	-	(285,519)	(285,519)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>	<b>-</b>	<b>188,531</b>	<b>188,531</b>
	<hr/>	<hr/>	<hr/>

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

During the 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 16 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.

# MHG Senior Borrower Limited

## 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.

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.

The principal accounting policies adopted by the Company are set out in note 2.

### 2 Significant accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU IFRSs"), 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 have been taken.

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

- a cash flow statement and related notes (para 8(h));
- disclosures in respect of the compensation of key management personnel (para 8(j)) ;
- disclosures in respect of transactions with wholly owned subsidiaries (para 8(k));
- certain comparative information (para 8(f)); and
- the effects of new but not yet effective IFRSs (para 8(i));

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*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### Basis of measurement

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

# MHG Senior Borrower Limited

## Notes *(continued)*

### **2 Significant accounting policies *(continued)***

#### **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 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.

#### **Finance income and finance costs**

The Company's finance income and finance costs include:

- interest expense; and
- interest income.

Interest income or expense is recognised using the effective interest method.



# MHG Senior Borrower Limited

## Notes *(continued)*

### **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.

#### **Financial instruments**

The Company classifies non-derivative financial assets into the following categories: financial assets fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category

# MHG Senior Borrower Limited

## Notes *(continued)*

### 2 Significant accounting policies *(continued)*

#### **Financial instruments *(continued)***

##### ***(i) Non-derivative financial assets and financial liabilities – recognition and derecognition***

The Company initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### ***(ii) Non-derivative financial assets – measurement***

###### *Loans and receivables*

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

###### *Cash and cash equivalents*

Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

##### ***(iii) Non-derivative financial liabilities – measurement***

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

##### ***(iv) 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 declared as final dividends are recognised as a liability in the period in which they are approved by shareholders. Interim dividends are recognised as a liability when declared.

# MHG Senior Borrower Limited

## Notes *(continued)*

### 2 Significant accounting policies *(continued)*

#### Financial instruments *(continued)*

##### *(v) Derivative financial instruments*

The Company's borrowings historically exposed it to the financial risks of changes in interest rates. The Company uses derivative financial instruments such as interest rate cap agreements to hedge these exposures. The Company does not use derivatives for trading or speculative purposes.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The full fair value of a hedging derivative is classified as a non-current asset or non-current liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or current liability if the remaining maturity of the hedged item is less than twelve months. The fair value of derivative instruments is determined by using valuation techniques. The Group uses its judgement to select the most appropriate valuation methods and makes assumptions that are mainly based on observable market conditions (Level 2 fair values) existing at the reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

##### *(vi) Equity distributions and contributions*

In accordance with the guidance issued in TECH 02/17 BL (with regards the application of Companies Act 2006) where an entity sells an asset to a fellow group company for consideration that is less than the asset's fair value, the difference is treated as a capital contribution in the receiving entity and a distribution in the selling entity. In accordance with TECH 02/17 BL, any intermediate parent entities of the transacting entities are also considered to have made a distribution (or capital contribution as applicable). All distributions and capital contributions are recognised directly in equity and are presented in the Statement of Changes in Equity.

#### Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

#### Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

# MHG Senior Borrower Limited

## Notes *(continued)*

### 2 Significant accounting policies *(continued)*

#### **Impairment of non-financial assets *(continued)***

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

#### **Provisions and contingent liabilities**

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of that outflow can be measured reliably. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

#### **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. The group intends to adopt these standards, if applicable, when they become effective.

		Effective for periods commencing on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts	1 January 2018
IFRS 16	Leases	1 January 2019

The directors are currently considering the impact on the financial statements in the period of initial application. The impact of IFRS 9 and IFRS 15 is not expected to be material.

# MHG Senior Borrower Limited

## Notes *(continued)*

### **3 Staff numbers and costs**

The company has no employees (2016: nil).

### **4 Auditors remuneration**

The audit fee of £5,000 (2016: £6,000) is borne by another group company.

### **5 Income from shares in group undertakings**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Dividend received from subsidiaries	<b>785,798</b>	-

During the 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.

# MHG Senior Borrower Limited

## Notes *(continued)*

### 6 Interest payable and similar charges

	2017 £'000	2016 £'000
External bank loans (i)	27,351	29,352
Accelerated amortisation of loan issue expenses (ii)	3,866	-
Fair value movement on derivatives (iii)	-	483
	<u>31,217</u>	<u>29,835</u>

(i) Arrangement fees of £800,000 are included within interest on external bank loans. Arrangement fees, in line with the company's accounting policies are amortised over the period of the loan using the effective interest method.

(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.

(iii) The company has interest rate cap agreements in place in relation to loan facilities which were terminated as part of the re-financing that took place in 2015. These interest rate caps do not mature until 23 January 2018 and are recognised at fair value. As these financial instruments do not qualify for hedge accounting all fair value movements are recognised in the profit and loss account until they expire.

### 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.

# MHG Senior Borrower Limited

## Notes (continued)

### 8 Income taxes

#### (a) Amounts recognised in profit or loss

	2017 £'000	2016 £'000
<b>Current tax</b>		
UK corporation tax	-	-
	<hr/>	<hr/>
Adjustment in respect of prior years	-	-
	<hr/>	<hr/>
<b>Total current tax</b>	-	-
	<hr/>	<hr/>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	28	29
Adjustments in respect of prior periods		(4)
Impact of change in tax rates	(3)	9
	<hr/>	<hr/>
<b>Total deferred tax credit</b>	25	34
	<hr/>	<hr/>

Reconciliation of tax charge/(credit)	31 December 2017 £'000	31 December 2016 £'000
Profit/(loss) on ordinary activities before tax	622,031	(30,216)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities before tax at the standard corporation tax rate in UK of 19.25% (2016: 20.00%):	119,720	(6,043)
Group relief surrendered	6,068	8,628
Expenses not deductible for tax purposes	32,440	-
Non-taxable income	(158,169)	-
Transfer pricing adjustments	(2,591)	(2,556)
Amounts not recognised	2,557	-
Impact of change in tax rates	(3)	5
	<hr/>	<hr/>
<b>Total tax charge</b>	25	34
	<hr/>	<hr/>

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.

# MHG Senior Borrower Limited

## Notes (continued)

### 9 Investments

	2017 £'000	2016 £'000
Investment in shares in subsidiary undertakings		
Balance at the beginning of the year	1,000,000	1,000,000
Sale of subsidiaries	(514,000)	-
Impairment on remaining subsidiaries	(73,535)	-
	<hr/>	<hr/>
Investment in shares in subsidiary undertakings	412,465	1,000,000
	<hr/>	<hr/>

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 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.

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 41-43 Brook Street, Mayfair, London, W1K 4HJ.



# MHG Senior Borrower Limited

## Notes (continued)

### 10 Debtors

	2017 £'000	2016 £'000
Deferred tax asset (see note 14)	173	198
Amounts owed from group companies	39,460	-
	<u>39,633</u>	<u>198</u>

### 11 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to group companies	260,016	359,278
Amounts owed to related party	3,551	-
Bank loans (note 13)	-	16,423
	<u>263,567</u>	<u>375,701</u>

### 12 Creditors: amounts falling due after one year

	2017 £'000	2016 £'000
Bank loans (note 13)	-	772,453
	<u>-</u>	<u>772,453</u>

### 13 Bank and other loans

*Bank loans comprise the following:*

	2017 £'000	2016 £'000
<b>Within Creditors: amounts falling due within one year</b>		
£800,000,000 fixed rate loan expiring 2022	-	11,440
Accrued interest	-	4,983
	<u>-</u>	<u>16,423</u>
<b>Within Creditors: amounts falling due after one year</b>		
£800,000,000 fixed rate loan expiring 2022	-	777,120
Unamortised issue costs	-	(4,667)
	<u>-</u>	<u>772,453</u>

# MHG Senior Borrower Limited

## Notes (continued)

### 13 Bank and other loans (continued)

<i>Maturity profile of financial liabilities</i>	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Due within one year	-	11,440
Due between one and two years	-	11,440
Due between two and five years	-	34,320
Due after five years	-	731,360
	<hr/>	<hr/>
	-	788,560
	<hr/>	<hr/>

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 has been repaid by the Company and the corresponding arrangement fees fully amortised in the year.

#### *Arrangement fees:*

In the prior year, offset against bank loans were unamortised loan arrangement fees of £4.7 million which, in line with the company's accounting policies were amortised over the period of the loan using the effective interest method. These were written off as the Company now repaid the loans.

### 14 Deferred tax assets and liabilities

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

	<b>1 Jan 2017</b> <b>£'000</b>	<b>Utilised in year</b> <b>£'000</b>	<b>31 Dec 2017</b> <b>£'000</b>
Other temporary differences	(198)	25	(173)
	<hr/>	<hr/>	<hr/>

### 15 Called up share capital

	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
<b>Authorised</b>		
1 ordinary share of £1	1	1
	<hr/>	<hr/>
<b>Called up, allotted and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>
	<hr/>	<hr/>

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

# MHG Senior Borrower Limited

## Notes (continued)

### 16 Dividends Paid

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

During the year the Company paid a dividend of £168.7m and had a deemed distribution of £116.8m to its intermediate parent, MHG Senior Holdco Limited.

### 17 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 remains 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. Any transactions and outstanding balances as at 31 December 2017 form part of related party debtor/creditor due to entities having common directors (and can no longer take the 100% owned disclosure exemption).

		Opening balance 31/12/2016	Sales	Payments	Disposal	Closing balance 31/12/2017
Related party	Nature of Relationship	£'000	£'000	£'000	£'000	£'000
Asset/(liability)						
Maybourne Limited	Hotels Common Director	-	-	-	(3,551)	(3,551)

### 18 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, 41- 43 Brook Street, Mayfair, London, W1K 4HJ.

# MHG Senior Borrower Limited

## Notes *(continued)*

### **19 Subsequent events**

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