

# **Churchill Group Limited**

Report and Financial Statements

Year Ended

31 December 2014

Company Number 00922947

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# **Churchill Group Limited**

## **Report and financial statements for the year ended 31 December 2014**

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### **Directors**

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

### **Secretary and registered office**

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

### **Company number**

00922947

### **Auditor**

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

# Churchill Group Limited

## Strategic report for the year ended 31 December 2014

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The directors present their strategic report together with the audited financial statements for the year ended 31 December 2014.

### Principal activities

The principal activity of the company is that of proprietor of the Hyatt Regency London - The Churchill, a five star deluxe Hotel with 434 bedrooms. There have been no changes in the company's activities in the year under review.

### Business review

Performance in 2014 was not comparable to 2013 given that the results for the year have been materially impacted by the closure of the hotel on 21 November 2014. Up until this point trading had been positive and the directors were looking forward to presenting a very satisfactory set of full year results.

The closure of the hotel has allowed an opportunity for a rooms refurbishment and upgrade programme, and the hotel was able to reopen with limited inventory on 16 March 2015. It is anticipated that the full inventory will be available, fully refurbished, by the end of the year.

The profit and loss account is set out on page 7 and shows turnover for the year of £37.0m (2013 - £40.5m) and a profit for the year of £7.7m (2013 - £6.7m).

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

During 2014 we maintained our focused approach in driving sales both in the National and International markets with particular attention to the more "future proof" industries and geographical sources.

The directors' strategy in 2015, is to continue to drive economic success through a focus on room rates while not losing occupancy, increasing food and beverage covers whilst maintaining prices at competitive and affordable levels, controlling costs to levels in line with our growth and offering a first class provision of additional services and refurbished facilities.

Meaningful analysis of our key operating metrics, including GOP, is extremely difficult given the lack of trade in the final six weeks of the year, however, the directors are confident that the refurbishment programme will allow the company to meet its strategic objectives.

There have been no events since the balance sheet date, other than those mentioned above, which materially affect the position of the company.

### Principal risks and uncertainties

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

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

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

# Churchill Group Limited

Strategic report  
for the year ended 31 December 2014 (*continued*)

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## Approval

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

M A Cairns

Director

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

30 SEP 2015

# **Churchill Group Limited**

## **Report of the directors for the year ended 31 December 2014**

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The directors present their report together with the audited financial statements for the year ended 31 December 2014.

### **Results and dividends**

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

Dividends amounting to £3,920,000 have been paid during the year (2013 - £3,550,000). The directors do not recommend the payment of a final dividend.

### **Principal activities and future developments:**

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

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

### **Financial instruments**

Details of the financial risk management objectives and policies and the use of financial instruments by the company are provided in note 19 to the financial statements and the accounting policies.

### **Employment of disabled persons**

The nature of the company's business is such that the duties of the majority of employees can only be performed by able-bodied people. Disabled people are not discriminated against when applying for suitable posts. Every effort is made to transfer employees becoming disabled to suitable posts within the company.

### **Employee involvement**

The company's communications with employees are conducted informally through the established supervisory structure and also through an employee consultative committee.

### **Directors**

The directors of the company during the year were:

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

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

# Churchill Group Limited

## Report of the directors for the year ended 31 December 2014 (*continued*)

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### Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### On behalf of the Board

M A Cairns

Director

Date **30 SEP 2015**

# **Churchill Group Limited**

## **Independent auditor's report**

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### **TO THE MEMBERS OF CHURCHILL GROUP LIMITED**

We have audited the financial statements of Churchill Group Limited for the year ended 31 December 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in shareholders funds, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

# Churchill Group Limited

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

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

30 SEP 2015

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



# Churchill Group Limited

## Profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
<b>Turnover</b>	2	<b>37,015</b>	<b>40,489</b>
Raw materials and consumables		(1,598)	(1,900)
Other external charges		(1,397)	(1,535)
Staff costs	3	(12,237)	(11,817)
Depreciation		(4,153)	(3,874)
Other operating charges		(11,480)	(11,085)
Group company charges		(3,316)	(3,377)
Other income		4,100	-
<b>Operating profit</b>	4	<b>6,934</b>	<b>6,901</b>
Interest receivable and similar income	5	398	198
Loss on disposal of fixed assets		-	(167)
<b>Profit on ordinary activities before taxation</b>		<b>7,332</b>	<b>6,932</b>
Taxation credit/(charge) from ordinary activities	6	341	(217)
<b>Profit on ordinary activities after taxation</b>	13	<b>7,673</b>	<b>6,715</b>

All amounts relate to continuing activities.

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

# Churchill Group Limited

## Statement of total recognised gains and losses and reconciliation of movements in shareholders' funds for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
<b>Statement of total recognised gains and losses</b>			
Profit for the year		7,673	6,715
Actuarial (losses)/gains on defined benefit scheme	15	(1,510)	2,175
Deferred tax arising on actuarial losses and gains on defined benefit scheme		212	(690)
		<hr/>	<hr/>
Total recognised gains and losses since last financial statements		6,375	8,200
		<hr/>	<hr/>
<b>Reconciliation of movements in shareholders' funds</b>			
Opening shareholders' funds		43,995	39,345
		<hr/>	<hr/>
Profit for the year		7,673	6,715
Dividends		(3,920)	(3,550)
		<hr/>	<hr/>
		3,753	3,165
Other gains and losses relating to the year		(1,298)	1,485
		<hr/>	<hr/>
Net increase to shareholders' funds		2,455	4,650
		<hr/>	<hr/>
Closing shareholders' funds		46,450	43,995
		<hr/>	<hr/>

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

# Churchill Group Limited

## Balance sheet at 31 December 2014

<b>Company number 00922947</b>	<b>Note.</b>	<b>2014 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2013 £'000</b>
<b>Fixed assets</b>					
Tangible assets	8		42,202		46,819
<b>Current assets</b>					
Stocks	9	460		464	
Debtors	10	6,346		4,849	
Cash at bank and in hand		19,501		15,386	
		<u>26,307</u>		<u>20,699</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>21,824</u>		<u>24,134</u>	
<b>Net current assets/(liabilities)</b>			<u>4,483</u>		<u>(3,435)</u>
<b>Net assets excluding pension asset</b>			<u>46,685</u>		<u>43,384</u>
<b>Pension (liability)/asset</b>	15		<u>(235)</u>		<u>611</u>
			<u>46,450</u>		<u>43,995</u>
<b>Capital and reserves</b>					
Called up share capital	12		3,309		3,309
Profit and loss account	13		43,141		40,686
<b>Shareholders' funds</b>			<u>46,450</u>		<u>43,995</u>

The financial statements were approved by the Board of Directors and authorised for issue on **30 SEP 2015**

M A Cairns  
Director



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

# Churchill Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2014

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### *Basis of preparation*

At 31 December 2014 the company had net current assets of £891,000 (2013 – net current liabilities of £3,435,000). The company has received confirmation that the intercompany loan creditor of £20,010,000 outstanding at year end will not be recalled until the company has sufficient financial resources for repayment.

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

#### *Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements' not to prepare a cash flow statement since its parent company publishes consolidated financial statements, including a statement of cash flows.

#### *Turnover*

Turnover represents the invoiced value of goods and services, exclusive of VAT, provided to customers of Hyatt Regency London – The Churchill Hotel, Portman Square, London. Turnover is recognised at the point the service is provided. Deposits are held on the balance sheet as a current liability and recognised in the profit and loss account when the service is provided.

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Long leasehold land and buildings	-	50 years
Fixtures, fittings, tools and equipment	-	10 years

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value.

#### *Foreign exchange*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

# Churchill Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

### 1 Accounting policies (continued)

#### *Leased assets*

Annual rentals paid on operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

#### *Pensions*

The company operates a defined benefit pension scheme.

For defined benefit schemes, pension scheme assets are measured using market values, and pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

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

#### *Financial risk management*

Exposure to movements in interest rates is reviewed regularly by the directors. The company utilises financial instruments to limit the company's exposure to movements in interest rates where in the opinion of the directors the expected benefits of such arrangements exceed the expected costs or at the request of the company's lenders.

Further information is provided in note 18 to the financial statements.

### 2 Turnover

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

### 3 Employees

	2014 £'000	2013 £'000
Staff costs (including directors) comprise:		
Wages and salaries	10,636	10,387
Social security costs	895	848
Other pension costs	706	582
	<hr/>	<hr/>
	12,237	11,817
	<hr/>	<hr/>

The average number of employees, including directors, during the year was 364 (2013 – 342).

No directors received any remuneration during the year (2013 - £Nil).

# Churchill Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2014 (*continued*)

## 4 Operating profit

	2014 £'000	2013 £'000
This has been arrived at after charging/(crediting):		
Depreciation – owned assets	4,153	3,874
Operating lease rentals:		
- land and buildings	297	386
- plant and machinery	89	84
Auditor's remuneration:		
- audit services	38	38
- other services	5	5
Other income	(4,100)	-
	<u>          </u>	<u>          </u>

Other income relates to compensation received from insurance company for business interruption.

## 5 Interest receivable and similar income

	2014 £'000	2013 £'000
Bank deposits	94	91
Interest on pension scheme liabilities	(1,254)	(1,284)
Expected return on pension scheme assets	1,558	1,391
	<u>          </u>	<u>          </u>
	398	198
	<u>          </u>	<u>          </u>

## 6 Taxation on profit on ordinary activities

	2014 £'000	2013 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	146	-
Adjustment in respect of previous years	-	12
	<u>          </u>	<u>          </u>
Total current tax	146	12
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(487)	153
Impact of change in future rate of taxation	-	72
Adjustment in respect of previous years	-	(20)
	<u>          </u>	<u>          </u>
Total deferred tax	(487)	205
	<u>          </u>	<u>          </u>
Taxation (credit)/charge on profit on ordinary activities	(341)	217
	<u>          </u>	<u>          </u>

# Churchill Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

### 6 Taxation on profit on ordinary activities (continued)

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

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	7,332	6,932
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21.49% (2013 – 23.25%)	1,576	1,611
Effects of:		
Expenses not deductible for tax purposes	17	16
Depreciation for year in excess of capital allowances	358	582
Group relief claimed	(1,707)	(948)
Transfer pricing adjustment	-	(1,046)
Difference between pension charge and amount paid	(98)	(215)
Adjustment to tax charge in respect of previous years	-	12
Current tax charge for year	146	12

### 7 Dividends

	2014 £'000	2013 £'000
Ordinary dividend paid 1.18p (2013 – 1.07p) per share	3,920	3,550

# Churchill Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2014 (*continued*)

## 8 Tangible assets

	Long leasehold land and buildings £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<i>Cost</i>			
At 1 January 2014	34,528	34,117	68,645
Additions	-	2,786	2,786
Disposals	(3,243)	(846)	(4,089)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	<b>31,285</b>	<b>36,057</b>	<b>67,342</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2014	2,739	19,087	21,826
Provided for the year	691	3,562	4,153
Disposals	(322)	(517)	(839)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	<b>3,108</b>	<b>22,032</b>	<b>25,140</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2014	<b>28,177</b>	<b>14,025</b>	<b>42,202</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2013	31,789	15,030	46,819
	<hr/>	<hr/>	<hr/>

During the year, total assets with a net book value of £3,250,000 were irreparably damaged as a result of the explosion at the hotel. No loss on disposal has been recognised as this has been covered by insurance proceeds, which are recorded within other debtors.

At 31 December 2014 the company was committed to capital expenditure, that had not been provided for of £Nil (2013 - £464,000).

## 9 Stocks

	2014 £'000	2013 £'000
Goods for resale	164	168
Operating equipment	296	296
	<hr/>	<hr/>
	<b>460</b>	<b>464</b>
	<hr/>	<hr/>



# Churchill Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2014 (*continued*)

## 10 Debtors

	2014 £'000	2013 £'000
Trade debtors	957	2,569
Other debtors	3,292	47
Deferred taxation	812	325
Prepayments and accrued income	10	664
Amounts owed by parent undertaking	1,275	1,244
	<u>6,346</u>	<u>4,849</u>

All debtors are receivable within one year.

### *Deferred taxation*

	Deferred taxation £'000
At 1 January 2014	325
Recognised in the year (note 6)	487
	<u>812</u>
At 31 December 2014	

	2014 Provided £'000	2013 Provided £'000
Decelerated capital allowances	812	325

A deferred tax asset of approximately £58,691 (2013 - £214,960) has not been recognised on capital losses available to carry forward against future capital profits as it is not sufficiently certain when capital profits will be made in order to absorb the reversal of this timing difference.

## 11 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	-	777
Loans from group undertakings	20,010	20,010
Taxation and social security	150	1,083
Accruals and deferred income	1,518	2,252
Corporation tax	146	12
	<u>21,824</u>	<u>24,134</u>

# Churchill Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2014 (*continued*)

## 12 Share capital

	Authorised, allotted, called up and fully paid			
	2014 Number	2013 Number	2014 £'000	2013 £'000
Ordinary shares of £1 each	3,309,200	3,309,200	3,309	3,309
Deferred shares of £1 each	100	100	-	-
	<u>3,309,300</u>	<u>3,309,300</u>	<u>3,309</u>	<u>3,309</u>

The holders of the deferred shares have no claim on the dividends or capital of the company, except for the return of the paid up amount on liquidation. Capital is returned to the holders of the deferred shares only after paying £1,000,000 per share to the holders of the ordinary shares.

## 13 Reserves

	Profit and loss account £'000
At 1 January 2014	40,686
Profit for the year	7,673
Dividends (note 7)	(3,920)
Actuarial gain on pension scheme (note 15)	(1,298)
	<u>43,141</u>
At 31 December 2014	

## 14 Contingent liability

Barclays Bank plc has a charge over the assets and leasehold property held by the company in relation to The Churchill Hotel. This charge is in place in relation to the bank loan held by one of the company's parent undertakings, Havana Holdings (UK) Limited. At 31 December 2014, the balance due from Havana Holdings (UK) Limited to Barclays Bank plc was £86,555,000 (2013 - £90,475,000).

# Churchill Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2014 (continued)

## 15 Pension costs

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

A full actuarial valuation of the Defined Benefit Scheme was carried out in April 2015 by a qualified independent actuary on a FRS 17 basis.

Contributions of £699,000 were made in the period to 31 December 2014 (31 December 2013 - £664,000). It has been agreed with the trustees that the company will continue to contribute to the Scheme at current levels, and contributions of approximately £733,000 are expected to be paid in 2015.

Details of the Scheme are given below:

	2014 £'000	2013 £'000
<b>Change in benefit obligation during the year:</b>		
Benefit obligation at beginning of year	(28,919)	(29,541)
Movement in year:		
Current service cost	(551)	(443)
Interest cost	(1,254)	(1,284)
Scheme participants contributions	(65)	(72)
Actuarial gain	(4,275)	1,454
Benefits paid from Scheme	1,092	804
Administrative expenses paid	171	163
Benefit obligation at end of year	(33,801)	(28,919)
<b>Change in Scheme assets during the year:</b>		
Fair value of Scheme assets at beginning of year	29,683	27,802
Movement in year:		
Expected return on Scheme assets	1,558	1,391
Actuarial gains on Scheme assets	2,765	721
Employer contributions	699	664
Member contributions	65	72
Benefits paid from Scheme	(1,092)	(804)
Administrative expenses paid	(171)	(163)
Fair value of Scheme assets at end of year	33,507	29,683

# Churchill Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2014 (*continued*)

## 15 Pension costs (*continued*)

	2014 £'000	2013 £'000
<b>Amounts recognised in the balance sheet:</b>		
Present value of wholly or partly funded obligations	(33,801)	(28,919)
Fair value of Scheme assets	33,507	29,683
	<hr/>	<hr/>
Scheme (deficit)/surplus	(294)	764
Related deferred tax asset/(liability)	59	(153)
	<hr/>	<hr/>
Net (liability)/asset	(235)	611
	<hr/>	<hr/>
<b>Components of pension cost:</b>		
<i>Amount recognised in profit and loss statement</i>		
Current service cost (included within staff costs)	(551)	(443)
Interest on pension liabilities (included within interest receivable)	(1,254)	(1,284)
Expected return on Scheme assets (included within interest receivable)	1,558	1,391
	<hr/>	<hr/>
	(247)	(336)
	<hr/>	<hr/>
<i>Analysis of amount recognised in statement of total recognised gains and losses ("STRGL"):</i>		
Actuarial (losses)/gains	(1,510)	2,175
	<hr/>	<hr/>
<i>Cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses</i>	(4,149)	(2,639)
	<hr/>	<hr/>

# Churchill Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2014 (continued)

## 15 Pension costs (continued)

	2014	2013
<b>Principal actuarial assumptions:</b>		
<i>Assumptions to determine benefit obligations</i>		
Discount rate	3.65%	4.40%
Rate of compensation increase	2.85%	3.35%
Rate of price inflation	2.85%	3.35%
Rate of pension increases (in-payment benefits)	5.00%	5.00%
Rate of pension increases (deferred benefits)	1.85%	2.35%
<i>Assumptions to determine net pension cost</i>		
Discount rate	3.65%	4.40%
Expected long-term rate of return on plan assets	5.25%	5.00%
Rate of compensation increase	3.35%	3.65%
Rate of price inflation	3.35%	2.65%
Rate of pension increases (in-payment benefits)	5.00%	5.00%
Rate of pension increases (deferred benefits)	2.35%	1.90%
<i>Weighted average life expectancy on post-retirement mortality table used to determine benefit obligation for:</i>		
Members aged 65 (current life expectancy) - male		22.3 years
Members aged 50 (life expectancy at age 65) - male		24.0 years
Members aged 65 (current life expectancy) - female		24.9 years
Members aged 50 (life expectancy at age 65) - female		26.7 years
<b>Scheme assets</b>		
<i>Percentage of Scheme assets by asset allocation</i>		
Equities	39.0%	40.30%
Debt	49.9%	49.40%
Real estate/property	10.4%	10.20%
Other	0.7%	0.10%
	<hr/>	<hr/>
Other finance expenses	100.00%	100.00%
	<hr/>	<hr/>
<i>Expected long term rate of return on Scheme assets during the financial year</i>	n/a	5.25%
	<hr/>	<hr/>

The expected rate of return for the year to 31 December 2014 is 5.25%.

# Churchill Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2014 (continued)

## 15 Pension costs (continued)

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

	2014 £'000	2013 £'000
Actual return on Scheme assets	4,323	2,112

### Five year history of scheme surplus/(deficit):

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligation	(33,801)	(28,919)	(29,541)	(25,774)	(23,410)
Fair value of Scheme assets	33,507	29,683	27,802	25,556	21,928
Surplus/(deficit) of the scheme	(294)	764	(1,739)	(218)	(1,482)

### Experience adjustments arising on:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Scheme liabilities	(551)	(443)	(400)	(419)	(360)
Scheme assets	1,558	1,391	1,401	1,433	1,242

	2014 £'000	2013 £'000
<b>Balance sheet reconciliation:</b>		
Gross balance sheet asset/(liability) at beginning of year	764	(1,739)
Pension expense recognised in profit and loss account in the financial year	(247)	(336)
Amounts recognised in STRGL in the financial year	(1,510)	2,175
Actual contributions made by the company in the financial year	699	664
Gross balance sheet asset at end of year	(294)	764

# Churchill Group Limited

Notes forming part of the financial statements  
for the year ended 31 December 2014 (continued)

## 16 Commitments under operating leases

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

	Land and buildings 2014 £'000	Other 2014 £'000	Land and buildings 2013 £'000	Other 2013 £'000
Operating leases which expire:				
In one to two years	-	11	-	11
In two to five years	84	52	84	52
After five years	200	-	200	-
	<u>284</u>	<u>63</u>	<u>284</u>	<u>63</u>

## 17 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with group companies, on the basis that it is 100% controlled within the group and its parent company, Havana Holdings (UK) Limited, prepares consolidated financial statements which are publicly available.

## 18 Financial instruments

The Company holds or issues financial instruments to finance its operations and enters into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies.

In addition, various financial instruments such as trade debtors and trade creditors arise directly from the group's operations.

Operations are financed by a mixture of retained profits and loans from group undertaking. Working capital requirements are funded principally out of short term group loans and retained profits.

## 19 Ultimate parent company and ultimate controlling party

At 31 December 2014 the company's immediate parent company was International Hoteliers (UK) Limited. The parent company of the smallest group of which the company is a member and for which group accounts are prepared is Havana Holdings (UK) Limited, a company registered in the England and Wales. Copies of the consolidated accounts may be obtained from 30 Portman Square, London, W1A 4ZX.

The ultimate parent company is Prime Capital, SA, registered in Luxembourg.

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