

Churchill Group Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 00922947



Churchill Group Limited

Report and financial statements for the year ended 31 December 2019

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Directors

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

Secretary and registered office

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

Company number

00922947

Auditor

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

Churchill Group Limited

Strategic report for the year ended 31 December 2019

The directors present their Strategic report together with the audited financial statements for Churchill Group Limited (the "company") for the year ended 31 December 2019.

Principal activities

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

Business review

The profit and loss account is set out on page 10 and shows turnover for the year of £49.050m (2018 £45.256m) and a profit for the year of £6.039m (2018 – profit of £9.581m).

2019 was a very successful year for The Churchill which, despite the political and economic uncertainty created by the BREXIT, still managed to perform above expectation demonstrating our continued efforts and focus in managing the business.

The combined effect of a successful revenue management strategy aimed to drive ADR and efforts of all the Operational and Supporting teams in enhancing cost efficiencies led to 2019 being the best performing year for this property since the Hyatt as Operator took over in 2004 which featured an increase in ADR by 8% whilst improving annual occupancy by 240 bps.

The directors' strategy in 2020 was to continue to drive economic success through a focus on room rates, optimization of our Business Mix and further development our key existing and emerging feeder markets although this was disrupted by the pandemic.

The impact of Covid19 was significant, resulting in the closure of the hotel. We were able to reopen on 7 September but trading levels have been subdued and significantly below prior years.

Following the year end, the group was able to refinance its facilities and apply an alternative set of covenants which are aligned to the current challenging trading environment.

Going concern

The impact of the recent Covid-19 pandemic has required an update to the Company's going concern analysis. Management has forecasted that the Company will be able to meet its obligations that arise in the future and at least for the 12 months from sign off. In order to monitor and mitigate the significant impacts of COVID-19, the Company has forecasted its minimum (unavoidable) expenditure and ensured that it can cover these with present rates of collection. These projections also incorporate mitigating actions the company has taken to reduce costs. The forecasts make various assumptions which include uncertainties. The key assumptions are around occupancy levels and achievable room rates.

The Company is subject to the group financing position and so it is the forecasts and obligations of the group which are key to the assessment of the going concern analysis. The Group was able to refinance during 2020 and as a result has been able to amend the covenants applicable to the business, with the key covenant surrounding loan to value levels of which there is significant anticipated headroom.

The Company is fortunate to benefit from the strong support of its ultimate parent company. The ultimate parent company has indicated that they would be willing to support the Company should cash funding be required, and have formalised this through a binding letter of support. As part of their assessment of going concern, the Directors of the Company have considered the funding and liquidity position of their ultimate parent company to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they have made enquiries to the parent company's Board of Directors. Based on the above considerations, the expectation of the Directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months and therefore it is appropriate to prepare the financial statements on a going concern basis.

Churchill Group Limited

Strategic report for the year ended 31 December 2019 (*continued*)

Principal risks and uncertainties

The most significant risk facing the business currently is Covid19 and the ability of customers to travel and stay at the hotel. Given the hotel's trading is predominantly based on overseas visitors it is both the actions of the UK Government and those in the markets which are key to the business.

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

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

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

The 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.

Statement by the directors in accordance with s172(1) Companies Act 2006

In accordance with Section 172 of the Companies Act 2006, the directors of the company have acted in a way they consider to be in good faith and would be most likely to promote the success of the company for the benefit of its members as a whole.

Stakeholder engagement is an important area of focus for Havana Holdings (UK) Limited ("Company"). We ensure that we have open communication with our various stakeholder groups, creating a mutually beneficial relationship, and we use information gained through these relationships to make informed judgements when making key decisions.

The directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company. When making decisions, the interests of any key relevant stakeholders will always be considered, including employees, suppliers, customers, shareholders, the community, lenders and the environment. The company is committed to developing business relationships with suppliers and customers as this will ensure that the hotel maintains its five star rating.

The Board also takes into consideration the long-term consequences for both the Company and its relevant stakeholders when making these decisions by forecasting and considering the impact of these decision. This ensures that the Company conducts its business in a fair way, protecting its reputation and external relationships.

Workforce engagement

Employee feedback

The Company has implemented a culture where employees are encouraged to provide feedback to senior leaders in the Company through both formal and informal meetings. We chose this as our preferred approach as we believe that this enables the widest range of views to be heard from across the workforce and it ensures to keep them informed on matters affecting them as employees. The purpose of this is to enable the team members to be involved in shaping strategic plans and major decisions, and give them the opportunity to set their own discussion topics with senior leaders.

Confidential feedback

For team members who prefer to raise any concerns confidentially, and if they wish, anonymously, we have an independent, confidential and anonymous ethics line managed by a third-party operator, as well as a human resources department that provide a channel for confidential feedback which is available to everyone.

Churchill Group Limited

Directors' report for the year ended 31 December 2019

Shareholder engagement

The Board is committed to ensuring there is continued sufficient and effective communication and engagement between the Company and the shareholder through various different means throughout the year. This includes the Annual Report which sets out details of the Company's strategy, business model and performance over the past financial year and plans for future growth.

Supplier engagement

We undertake significant due diligence on our suppliers and we have regular monitoring to ensure all suppliers are working in line with our minimum standards. Key suppliers include food & beverage, agency staffing, cleaning, property maintenance & IT/security infrastructure. To ensure there is two way communication with suppliers, we regularly engage with them by phone and/or onsite – Contracts are reviewed annually and a fair competitive process is carried out when agreements expire or due for renewal.

Community engagement

The company works with local recruiters, job boards and charities to communicate the job opportunities within the Company to local residents, and people currently out of work, education or training.

Customers

As part of our staff training, we emphasise the importance of engaging with customers throughout their experience. We also enable our customers to get up to date pricing information and promotions through emails and our website, and we carry out a number of guest satisfaction surveys. As a five star establishment, the continued happiness and welfare of our guests is of the utmost importance and therefore all staff are encouraged to engage with the guests throughout their stay to provide a personalised service, as well as following up on feedback, whether directly or via booking sites. We ensure our offering remains up to date and attractive to customers, with a continuing process of refurbishment and renewal throughout the hotel.

Lender engagement

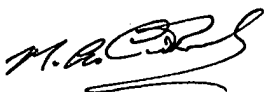
There is regular communication with the Company's lenders to discuss business performance, the market and any current issues.

Environment

As part of our daily operations we implement glass bottle, paper and card and light bulbs recycling, toner cartridges recycling, cardboard bailing, food waste management, descaling programs, energy management and combined heat and power, guest linen program etc. We try to source local produce and services where possible to minimise the environmental impact of our operations

Approval

This Strategic Report was approved by the Board and signed on its behalf on 18 December 2020



M A Cairns

Director

Churchill Group Limited

Directors' report for the year ended 31 December 2019

The directors present their report together with the audited financial statements for Churchill Group Limited (the "company") for the year ended 31 December 2019.

Results and dividends

The profit and loss account is set out on page 10 and shows the profit for the year.

Dividends of £7,227,000 (2018 - £4,455,000) were paid in the year. The directors do not recommend the payment of a final dividend.

Principal activities and future developments

The principal activity of the company is that of proprietor of the Hyatt Regency London – The Churchill, a five star deluxe Hotel with 440 bedrooms.

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

Financial instruments

Details of the financial risk management objectives and policies and the use of financial instruments by the company are provided in note 4 to the financial statements.

Employment of disabled persons

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

Employee involvement

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

Directors

The directors of the company during the year and up to the date of signing of this report were:

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

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

Churchill Group Limited

Directors' report for the year ended 31 December 2019 (*continued*)

Disclosure of items within the Strategic Report

The directors have included statements relating the principal activities of the company, review of the business and future developments, going concern, the principal risks and uncertainties facing the company, and risk management in the Strategic report.

Auditors

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 18 December 2020

Churchill Group Limited

Directors' responsibilities statement for the year ended 31 December 2019

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.

Churchill Group Limited

Independent auditor's report

TO MEMBERS OF CHURCHILL GROUP LIMITED

Opinion

We have audited the financial statements of Churchill Group Limited ("the Company") for the year ended 31 December 2019 which comprise the profit and loss account, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Churchill Group Limited

Independent auditor's report (*continued*)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Churchill Group Limited

Independent auditor's report (*continued*)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



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

Date 22 December 2020

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 2019

	Note	2019 £'000	2018 £'000
Turnover	5	49,050	45,256
Raw materials and consumables		(1,776)	(1,931)
Other external charges		(1,377)	(1,984)
Staff costs	7	(13,640)	(13,276)
Depreciation	12, 13	(4,300)	(3,113)
Other operating charges		(16,776)	(12,360)
Group company charges		(4,325)	(3,113)
Other income		-	1,500
Operating profit	6	6,856	10,979
Interest receivable and similar income	8	42	28
Interest payable and similar charges	9	(198)	-
Profit on ordinary activities before taxation		6,700	11,007
Taxation on profit on ordinary activities	10	(661)	(1,426)
Profit on ordinary activities after taxation		6,039	9,581

All amounts relate to continuing activities.

The notes on pages 14 to 37 form part of these financial statements

Churchill Group Limited

Statement of comprehensive income for the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit for the financial year	6,039	9,581
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Actuarial loss/(gain) on defined benefit pension scheme	4,244	(1,017)
Tax relating to components of other comprehensive income	(666)	230
Total other comprehensive gain for the year, net of tax	3,578	(787)
Total comprehensive gain for the year	9,617	8,794

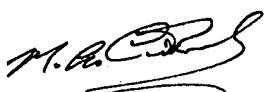
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Churchill Group Limited

Statement of financial position at 31 December 2019

<i>Company number 00922947</i>	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible assets	12		50,788		52,257
Right-of-use asset	13		6,046		-
Total fixed assets			56,834		52,257
Stocks	14	567		514	
Debtors	15	8,479		13,234	
Pension asset	19	1,707		-	
Cash at bank and in hand		19,063		15,340	
		29,816		29,088	
Creditors: amounts falling due within one year	16	(37,906)		(38,887)	
Net current liabilities			(8,090)		(9,799)
Net assets excluding pension asset			47,037		42,458
Pension liability	19	-			(2,208)
Long term lease liability	13	(6,104)			-
Provision for liabilities	20	(250)			(250)
Net Assets position			42,390		40,000
Capital and reserves					
Called up share capital	17, 18		3,309		3,309
Retained earnings	18		39,081		36,691
Shareholders' funds			42,390		40,000

The financial statements were approved by the Board of Directors and authorised for issue on 18 December 2020



M A Cairns
Director

The notes on pages 14 to 37 form part of these financial statements

Churchill Group Limited

Statement of changes in equity at 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Shareholders' funds £'000
1 January 2019	3,309	36,691	40,000
Comprehensive income for the year:			
Profit for the year	-	6,039	6,058
Other comprehensive income for the year	-	3,578	3,578
Total comprehensive income for the year	-	9,617	9,617
Contributions by and distributions to owners			
Dividends (see note 11)	-	(7,227)	(7,227)
Total contributions by and distributions to owners	-	(7,227)	(7,227)
31 December 2019	3,309	39,081	42,390

	Called up share capital £'000	Retained earnings £'000	Shareholders' funds £'000
1 January 2018	3,309	32,352	35,661
Comprehensive income for the year:			
Profit for the year	-	9,581	9,581
Other comprehensive loss the year	-	(787)	(787)
Total comprehensive income for the year	-	8,794	8,794
Contributions by and distributions to owners			
Dividends (see note 11)	-	(4,455)	(4,455)
Total contributions by and distributions to owners	-	(4,455)	(4,455)
31 December 2018	3,309	36,691	40,000

The notes on pages 14 to 37 form part of these financial statements

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019

1 General information

Churchill Group Limited ("the company") is a private company limited by shares, incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office can be found on the Contents page and the nature of the company's operations and its principal activities are set out in the Strategic report on page 1.

2 Accounting policies

Basis of preparation

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

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

Basis of consolidation

The company has taken advantage of the exemption not to submit group accounts as the company is itself a wholly owned subsidiary of an EC parent company incorporated in England and Wales (see note 22). The financial statements present information about the company as an individual undertaking and not about its group.

Going concern

The impact of the recent Covid-19 pandemic has required an update to the Company's going concern analysis. Management has forecasted that the Company will be able to meet its obligations that arise in the future and at least for the 12 months from sign off. In order to monitor and mitigate the significant impacts of COVID-19, the Company has forecasted its minimum (unavoidable) expenditure and ensured that it can cover these with present rates of collection. These projections also incorporate mitigating actions the company has taken to reduce costs. The forecasts make various assumptions which include uncertainties. The key assumptions are around occupancy levels and achievable room rates.

The Company is subject to the group financing arrangements and so the forecasts of the group are relevant to the going concern analysis of the Company. The Group was able to refinance during 2020 and as a result has been able to amend the covenants applicable to the business, with the key covenant surrounding loan to value levels of which there is significant anticipated headroom.

The Company is fortunate to benefit from the strong support of its ultimate parent company. The ultimate parent company has indicated that they would be willing to support the Company should cash funding be required, and have formalised this through a binding letter of support. As part of their assessment of going concern, the Directors of the Company have considered the funding and liquidity position of their ultimate parent company to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they have made enquiries to the parent company's Board of Directors. Based on the above considerations, the expectation of the Directors is that they will be able to meet liabilities as they fall due over a period of at least 12 months and therefore it is appropriate to prepare the financial statements on a going concern basis.

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

Disclosure exemptions adopted (continued)

Disclosure exemptions adopted

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

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel;
- disclosure of related party transactions with other wholly owned members of the group headed by Havana Holdings (UK) Limited; and
- The requirements of the 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 financial statements of Havana Holdings (UK) Limited can be obtained as described in note 22.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Havana Holdings (UK) Limited.

New and amended standards and interpretations effective from 1 January 2019

The following standards with an effective date of 1 January 2019 have been adopted.

(a) IFRS 16 Leases

IFRS 16 has replaced IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

Details of the impact this standard has had are given in note 23 below.

(b) IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. There was no significant impact on the amounts reported in these financial following the adoption of IFRIC 23. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 and have had a material impact on the company.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these are as follows, which are all effective for the year beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)
- IFRS 3 Business Combinations (Amendment - Definition of Business)
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

Tangible assets

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

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

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

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

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

Stocks

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

Financial instruments

The company classifies its financial instruments in the following categories: at fair value through profit or loss; at fair value through other comprehensive income and at amortised cost. The company's instruments include trade and other receivables, trade and other payables and intercompany loans. Management determines the classification of the company's financial assets and liabilities at initial recognition.

Financial assets

Trade and other receivables

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents

Cash and bank balances comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less. For the purpose of the company's statement of cash flows, cash and cash equivalents include the cash and bank balances as defined above.

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial liabilities

Trade and other payables

Trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

Loans and other borrowings

Loans and other borrowings are initially recognised at the fair value of amounts received net of transaction costs. Loans and other borrowings are subsequently measured at amortised cost using the effective interest method.

Leases

Identifying Leases

The company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The company obtains substantially all the economic benefits from use of the asset; and
- (c) The company has the right to direct use of the asset.

The company considers whether the supplier has substantive substitution rights. If the supplier does have those rights the contract is not identified as giving rise to a lease. In determining whether the company obtains substantially all the economic benefits from use of the asset, the company considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the company has the right to direct use of the asset, the company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

Leases (continued)

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

Share capital

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

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

Dividends payable

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

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 Statement of financial position as a current liability and recognised in the profit and loss account when the service is provided.

Amounts paid to the hotel operator, Hyatt, representing points earned by customers for being members of the Hyatt Group loyalty scheme were previously shown within operating expenses.

Revenue arises from the provision of services where these activities give rise to economic benefits received and receivable by the company on its own account and result in increases in equity. Revenue is the full amount that the customers pays for our hotel operations.

Provided the amount, if applicable, can be measured reliably and it is probable that the company will receive the consideration, revenue for services is recognised from hotel operations, including the rental of rooms and the sale of food and beverages.

Amounts paid to the hotel operator, Hyatt, representing points earned by customers for being members of the Hyatt Group loyalty scheme are shown as a deduction from revenue.

Consideration received in advance for which the revenue recognition criteria above have not been satisfied are deferred until such time as the revenue recognition criteria have been satisfied.

Foreign currency

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

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

Income taxes (continued)

Income taxes

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

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

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

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

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

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

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

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

Defined contribution schemes

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

Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

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

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

Defined contribution schemes (continued)

Re-measurements of the net defined obligation are recognised directly within equity. The re-measurements include:

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

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

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

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss. Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

3 Critical accounting estimates and judgements

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

- *Useful lives of property, plant and equipment*

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

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

- *Fair value measurement*

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

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

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

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

3 Critical accounting estimates and judgements (*continued*)

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

The company measures the following item at fair value.

- Defined benefit asset (note 19)
- *Impairment of intercompany loans*

Impairment provisions for amounts due between companies across the Group are recognised based on a forward looking expected credit loss model. Management has reviewed the intercompany loans granted to and by the entity. Based on their assessment they believe that credit risk has not increased significantly since initial recognition and there is no difference between the contractual and expected future cash flows of those intercompany loans, which have all been documented. As a result, none of those loans have been credit impaired at the reporting date. Management will keep monitoring at each reporting date.

- *Judgement in identifying whether a contract includes a lease*

At inception of a contract, an assessment is made whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Assessment as to whether the right-of-use assets are impaired
In estimating the recoverable amount of the right-of-use asset, the directors have made assumptions about the achievable market rates for similar properties with similar lease terms.

- *Incremental borrowing rates used to measure lease liabilities*

Where the interest rate implicit in the lease cannot be readily determined, lease liabilities are discounted at the lessee's incremental borrowing rate. This is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities and the corresponding right-of-use assets (note 13). To determine the incremental borrowing rate the Company uses recent third-party financing as a starting point, and adjusts this for conditions specific to the lease such as its term and security. The Company used incremental borrowing rates specific to each lease which ranged between 2.16% and 3.25%.

4 Financial instruments - Risk Management

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

- Credit risk; and
- Liquidity risk.

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

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

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

4 Financial instruments - Risk Management (*continued*)

(i) *Principal financial instruments*

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

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

(ii) *Financial instruments by category*

Financial assets

	Financial assets at amortised cost	
	2019 £'000	2018 £'000
Cash and cash equivalents	19,063	15,340
Trade and other debtors	5,791	4,864
	<hr/>	<hr/>
Total financial assets	24,854	20,204
	<hr/>	<hr/>

Financial liabilities

	Financial liabilities at amortised cost	
	2019 £'000	2018 £'000
Trade creditors	2,767	1,538
Loans from group undertaking	27,742	32,429
	<hr/>	<hr/>
Total financial liabilities	30,509	33,967
	<hr/>	<hr/>

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

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

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

Churchill Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

4 Financial instruments - Risk Management (*continued*)

General objectives, policies and processes

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

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

Credit risk

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

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

Cash in bank and short-term deposits

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

	2019 Rating (Fitch)	2019 Cash at bank £'000	2018 Rating (Fitch)	2018 Cash at bank £'000
Barclays Bank Plc	A+	14,163	A+	10,869
National Bank of Kuwait	AA-	4,900	AA-	4,500
		<u>19,063</u>		<u>15,369</u>

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

Liquidity risk

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

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

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

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

Churchill Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

4 Financial instruments - Risk Management (*continued*)

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

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 December 2019					
Trade and other creditors	24,583	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 December 2018					
Trade and other creditors	33,957	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Capital Disclosures

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

The company's objectives when maintaining capital are:

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

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

The management monitors capital at a group level using a loan to value ratio, which is debt as a percentage of the market value of the group's properties. The group's policy is to keep the loan to value ratio no higher than 55%, in line with the requirements of the loan agreement in place at 31 December 2019 for borrowings obtained by intermediate parent Havana Holdings (UK) Limited.

5 Turnover

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

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

6 Operating profit

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

	2019 £'000	2018 £'000
Depreciation - owned assets	4,154	3,113
Amortisation of right-of-use assets	146	-
Operating lease expense:		
- land and buildings	-	215
- plant and machinery	-	69
Auditor's remuneration:		
- audit services	41	39
- other services	4	4
Other income	-	(1,500)
	<u> </u>	<u> </u>

Other income relates to reversal of a provision. Since this is not considered to be part of the main revenue generating activities, the company presents this income separately from turnover.

7 Employees

Staff costs (including directors) comprise:

	2019 £'000	2018 £'000
Wages and salaries	11,641	11,225
Social security costs	1,067	1,000
Defined contribution pension cost	255	217
Defined benefit pension cost	677	834
	<u> </u>	<u> </u>
	13,640	13,276
	<u> </u>	<u> </u>

The average number of employees, including directors, during the year was 399 (2018 - 318).

No directors received any remuneration during the year (2018 - £Nil).

8 Interest receivable and similar income

	2019 £'000	2018 £'000
Bank deposits	42	28
	<u> </u>	<u> </u>

9 Interest payable and similar charges

	2019 £'000	2018 £'000
Interest expense on lease liabilities (2018: finance leases)	198	-
	<u> </u>	<u> </u>

Churchill Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

10 Taxation on profit on ordinary activities

	2019 £'000	2018 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	1,398	1,709
Adjustment in respect of previous years	(322)	(856)
	<hr/>	<hr/>
Total current tax	1,076	853
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(106)	78
Impact of change in future rate of taxation	-	9
Adjustment in respect of previous years	(309)	486
	<hr/>	<hr/>
Total deferred tax	(415)	573
	<hr/>	<hr/>
Taxation charge on profit on ordinary activities	661	1,426
	<hr/>	<hr/>

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

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	6,700	11,007
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 – 19.00%)	1,273	2,091
Effects of:		
Expenses not deductible for tax purposes	8	7
Fixed assets differences (ineligible depreciation and loss on fixed asset disposals)	37	119
Group relief claimed	(121)	(127)
Adjustment to tax charge in respect of previous years	(309)	(370)
Other differences	(161)	(285)
Impact of change in tax rates	(66)	(9)
	<hr/>	<hr/>
Tax charge for year	661	1,426
	<hr/>	<hr/>

Factors that may affect future tax expenses

The effects of changes to the corporation tax rates substantively enacted as part of the Finance Act 2016 which was enacted on 15 September 2016, made a further reduction of UK corporation tax to 17% effective 1 April 2020. Subsequent to the Statement of Financial Position date it was announced that this change is to be reversed, for the rate to remain at 19% from 1 April 2020, however this has not yet been enacted.

Churchill Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

11 Dividends

	2019 £'000	2018 £'000
Ordinary interim dividend of £2.18 per share (2018 - £1.35) per share	7,227	4,455

12 Tangible assets

	Long leasehold land and buildings £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<i>Cost</i>			
At 1 January 2019	31,285	55,099	86,384
Additions	-	2,685	2,685
At 31 December 2019	31,285	57,784	89,069
<i>Depreciation</i>			
At 1 January 2019	5,611	28,516	34,127
Provided for the year	626	3,528	4,154
At 31 December 2019	6,237	32,044	38,281
<i>Net book value</i>			
At 31 December 2019	25,048	25,740	50,788
At 31 December 2018	25,674	26,583	52,257

At 31 December 2019 the company was committed to capital expenditure, that had not been provided for of £Nil (2018 - £Nil).

13 Leases

Nature of leasing activities (in the capacity as lessee)

The company's land and building lease activity relates entirely to the Hyatt Regency London. The lease payments are fixed, with no variable elements.

The company also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

Churchill Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

13 Leases (*continued*)

Reconciliation of right-of-use assets

	Land and Buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 January 2019	6,102	27	6,129
Additions	-	63	63
Amortisation	(121)	(25)	(146)
At 31 December 2019	5,981	65	6,046

Lease liabilities

	Land and Buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 January 2019	6,102	27	6,129
Additions	-	56	56
Interest expense on lease liabilities	197	1	198
Lease payments	(207)	(27)	(234)
At 31 December 2019	6,092	57	6,149

The lease liability of £6,149,000 is split between long term liabilities of £6,104,000 and short term liabilities of £45,000.

14 Stocks

	2019 £'000	2018 £'000
Goods for resale	271	218
Operating equipment	296	296
	567	514

Churchill Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

15 Debtors

	2019 £'000	2018 £'000
Trade debtors	3,023	3,089
Other debtors	2,768	1,775
Deferred taxation	433	684
Prepayments and contract assets	796	712
Amounts owed by related undertaking	1,459	5,546
Corporation tax	-	-
Amount due from parent company	-	1,428
	<u>8,479</u>	<u>13,234</u>

All debtors are receivable within one year.

Deferred taxation

	Deferred taxation £'000
At 1 January 2019	684
Charged in the year	(251)
	<u>433</u>
At 31 December 2019	<u>433</u>

Deferred tax

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

	Asset 2019 £'000	Liability 2019 £'000	Net 2019 £'000	Charged/ (credited) to profit or loss 2019 £'000	Charged/ (credited) to other comprehensive income 2019 £'000
Accelerated capital allowances	723	-	723	(415)	-
Defined benefit pension scheme	-	(290)	(290)	-	666
	<u>723</u>	<u>(290)</u>	<u>433</u>	<u>(415)</u>	<u>666</u>
Net tax assets	<u>723</u>	<u>(290)</u>	<u>433</u>	<u>(415)</u>	<u>666</u>

Churchill Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

15 Debtors (*continued*)

	Asset 2018 £'000	Liability 2018 £'000	Net 2018 £'000	Charged to profit or loss 2018 £'000	Charged to other comprehensive income 2018 £'000
Accelerated capital allowances	308	-	308	573	
Defined benefit pension scheme	376	-	376	-	(230)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net tax assets	684	-	684	573	(230)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	2,767	1,538
Loans from group undertakings	27,742	32,429
Taxation and social security	1,002	1,151
Accruals and contract liabilities	3,800	2,546
Corporation tax	2,299	1,223
Lease Liability short term	45	-
Other creditors	251	-
	<u> </u>	<u> </u>
	37,906	38,887
	<u> </u>	<u> </u>

17 Called up share capital

	Authorised, allotted, called up and fully paid			
	2019 Number	2018 Number	2019 £'000	2018 £'000
Ordinary shares of £1 each	3,309,200	3,309,200	3,309	3,309
Deferred shares of £1 each	100	100	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,309,300	3,309,300	3,309	3,309
	<u> </u>	<u> </u>	<u> </u>	<u> </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.

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

18 Reserves

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

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

19 Defined benefit schemes

Defined benefit scheme characteristics and funding

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

The Scheme operates under UK legislation and is governed by a board of Trustees. The Trustees have the primary responsibility for governance of the Fund - including the setting of contribution rates subject to consultation/agreement with the company as required by the Fund's Trust Deed and Rules and overriding legislation. Benefit payments are from Trustee administered funds and Fund assets are held in Trust which is governed by UK regulation. The Trustees are comprised of representatives of the company and members in accordance with the Trust Deed and Rules.

The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website, www.thepensionregulator.gov.uk.

The most recent comprehensive actuarial valuation was carried out by the trustees of the Scheme as at 6 April 2019.

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

Estimates and assumptions

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

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

19 Defined benefit schemes (continued)

Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of scheme assets		Net defined scheme asset/(liability)	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance on 1 January	(41,722)	(42,747)	39,514	41,890	(2,208)	(857)
Service cost - current	(677)	(667)	-	-	(677)	(667)
Service cost - past	-	(167)	-	-	-	(167)
Interest cost	(1,087)	(1,009)	1,033	996	(54)	(13)
Administrative costs	-	-	(232)	(131)	(232)	(131)
Included in profit or loss	(1,764)	(1,843)	801	865	(963)	(978)
Remeasurement loss (gain)						
(a) Actuarial (loss)/gain – demographic	(4,995)	1,768	-	-	(4,995)	1,768
(b) Return on plan assets (excluding interest)	5,320	(224)	6,005	(2,561)	11,325	(2,785)
(c) Actuarial (gain) experience on DBO	(2,086)	-	-	-	(2,086)	-
Included in other comprehensive income	(1,761)	1,544	6,005	(2,561)	4,244	(1,017)
Employer contributions	-	-	634	644	634	644
Plan participant contributions	(49)	(50)	49	50	-	-
Benefits paid	1,426	1,374	(1,426)	(1,374)	-	-
Other movements	1,377	1,324	(743)	(680)	634	644
Balance on 31 December	43,870	(41,722)	45,577	39,514	1,707	(2,208)

Disaggregation of defined benefit scheme assets

The fair value of the assets is analysed as follows:

	2019 £'000	2018 £'000
Equity securities (quoted)	16,461	14,660
Bonds (quoted)	20,413	18,690
Real estate property	4,421	4,504
Other	4,282	1,660
	<u>45,577</u>	<u>39,514</u>

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

19 Defined benefit schemes (continued)

Prices for equity securities and bonds are quoted in active markets. The asset recognised for the defined benefit scheme is based on the assumption that the full surplus will ultimately be available to the company as a future refund of £1,707K.

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

These policies are consistent with those in the prior period.

Defined benefit obligation - actuarial assumptions

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

	2019	2018
Discount rate	1.90%	2.65%
Rate of growth in future salaries	3.25%	3.35%
Rate of increase in inflation	3.25%	3.65%
Rate of pension increases (in-payment)	5.00%	5.00%
Rate of pension increases (deferred)	2.30%	2.35%
Life expectancy from age 65 (currently aged 65 years old)		
- Males	22.6	22.6
- Females	24.9	24.9
Life expectancy from age 65 (reaching age 65 in 15 years time)		
- Males	24.2	24.2
- Females	26.6	26.6

The weighted-average duration of the defined benefit obligation at 31 December 2019 was 18 years.

Defined benefit obligation - sensitivity analysis

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

Actuarial assumption	Reasonably possible change	Defined benefit obligation	
		Increase	Decrease
Discount rate	(+/- 0.25%)	(42,033)	(45,830)
Price inflation	(+/- 0.25%)	(44,324)	(43,359)
Mortality	Increase of 1 year in expected lifetime of plan participants	(46,411)	

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

20 Provision for liabilities

	2019 £'000	2018 £'000
Legal disputes	250	250

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

21 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 101, Related Party Disclosures, not to disclose transactions with group companies, on the basis that it is 100% controlled within the group and its parent company, Havana Holdings (UK) Limited, prepares consolidated financial statements which are publicly available.

Barclays Bank plc has a charge over the assets and leasehold property held by the company in relation to The Churchill Hotel. This charge is in place in relation to the bank loan held by one of the company's parent undertakings, Havana Holdings (UK) Limited. At 31 December 2019, the balance due from Havana Holdings (UK) Limited to Barclays Bank plc was £75,648,094 (2018 - £80,181,818). This balance forms part of a joint loan facility with a related party for a total of £180,000,000 (2018 - £180,000,000) of which the Company is a joint guarantor.

22 Ultimate parent company and ultimate controlling party

At 31 December 2019 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.

23 Effects of changes in accounting policies

The group adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB did not impact the group as they are either not relevant to the group's activities or require accounting which is consistent with the group's current accounting policies.

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The group does not have significant leasing activities acting as a lessor.

Churchill Group Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

23 Effects of changes in accounting policies (continued)

Transition Method and Practical Expedients Utilised

The group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases. However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

The group do not hold any finance leases or operating leases that meet the definition of investment property.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	Adjustments	31 December 2018 as originally presented £'000	IFRS 16	1 January 2019 £'000
Assets				
Property, plant and equipment	(a)	52,257	-	52,257
Right-of-use assets	(b)	-	6,130	6,130
Liabilities				
Lease liabilities	(c)	-	6,130	6,130
Equity				
Retained Earnings	(d)	36,691	-	36,691

- Property, plant and equipment was not adjusted as the group do not hold any leases previously classified as finance leases.
- Right-of-use assets of £6,130,000 recognised in the Statement of Financial Position.
- Lease liabilities of £6,130,000 recognised in the Statement of Financial Position.
- Retained earnings had no impact.

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Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

23 Effects of changes in accounting policies (*continued*)

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The adoption of IFRIC 23 had no impact on corporate tax liabilities as uncertain tax treatments were already disclosed prior to the standard issuance and given in note 10 above.

24 Post balance sheet events

After the balance sheet date, COVID19 significantly impacted the group's trade and ultimately led to the closure of the hotel. The hotel reopened on 7 September 2020. The group was able to refinance its facilities successfully during the closure period.