Maybourne Hotels Limited

Reports and financial statements

Year ended 31 December 2018

Registered number: 3669284

Maybourne Hotels Limited

Contents	*Page*

Maybourne Hotels Limited

Directors and other information

Board of Directors	Fady Bakhos Liam Cunningham
Registered office	27 Knightsbridge London SW1X 7LY
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Bankers	Barclays Bank 1 Churchill Place London E14 5HP Allied Irish Bank (GB) City Office 9-10 Angel Court London EC2R 7AB
Solicitors	Macfarlanes LLP 10 Norwich Street London EC4A 1BD
Registered number	3669284

Maybourne Hotels Limited

Strategic report

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

Principal activity

The principal activity of Maybourne Hotels Limited ('the Company') is the provision of management services to other entities within the groups headed by Coroin Limited ('the Coroin Group") and Selene Holdings Limited ("the Selene Group"). The principal activity of these companies is the provision of five star deluxe hotel and restaurant services.

Business review

The Company recorded a turnover of £13.7 million *(2017: £17.7 million)* in the year ended 31 December 2018 which represents a decrease of 22.6% compared to the year ended 31 December 2017. The decrease in revenue is explained by changes during the year to the way in which recharges to other group companies are calculated.

The Company produced an operating loss of £1.3 million in the year to 31 December 2018 *(2017: £3.2 million profit)*.

Future developments

The Company is determined to enhance, invest and further develop its iconic hotels through various room enhancement programs, and continued investment in its food and beverage offering.

During 2019, Company management will continue to focus on leveraging its strong brands backed by an experienced management team and the execution of a strategic capital investment programme to keep its product relevant to contemporary market demands and customer needs. The delivery of extraordinary experiences to its guests remains the Company's foremost goal to drive loyalty.

Principal risks and uncertainties

The hotel industry's performance is closely aligned to the general economic environment. Therefore, a key risk facing the company is adverse economic conditions. The Company recognises the potentially adverse impact of The United Kingdom leaving the European Union and the continued pressure of the increase in the supply of luxury accommodation in London, however management believes it has the team, strategies and initiatives in place to defend and build on its position effectively.

By order of the board and signed on its behalf by

Liam Cunningham
Director

26 September 2019

Maybourne Hotels Limited

Directors' report

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

Dividends

During the year no dividends were paid or proposed *(2017: £nil).*

Directors and their interests

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

Liam Cunningham
Fady Bakhos

Directors' liabilities

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

Equal opportunities and diversity

The Company is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Company has continued the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the company, has been continued through the staff quarterly meetings in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Employees participate directly in the success of the business through the Company's incentive schemes linked to performance and improved quality of service..

Political donations

The company made no political contributions during the year.

Maybourne Hotels Limited

Directors' report *(continued)*

Going Concern

The Company's business activities, together with the factors likely to affect its future development, is described in the Strategic Report on page 2.

The group headed by the company's intermediate parent company, Constellation Hotels Holding Ltd Ltd S.C.A ('the Group'), has considerable financial resources. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, and taking into account the support also assured by Constellation Hotels Holding Ltd S.C.A, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

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

Auditor

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

Approved by the Board of Directors ('the Board') and signed on behalf of the Board

26 September 2019

Liam Cunningham
Director

Maybourne Hotels Limited

Statement of 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board

Liam Cunningham
Director

26 September 2019

Independent auditor's report to the members of Maybourne Hotels Limited

Opinion

We have audited the financial statements of Maybourne Hotels Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

Other information *(continued)*

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Rebecca Turner (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
1 More London Place
London
SE1 2AF

27 September 2019

Maybourne Hotels Limited
Registered number: 3669284

Statement of comprehensive income
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	**13,701**	17,726
Cost of sales		**(5,016)**	(4,667)
Gross profit		**8,685**	13,059
Administrative expenses		**(6,213)**	(6,546)
Exceptional items	5	**(3,431)**	(3,284)
Operating (loss)/profit	6	**(959)**	3,229
Net finance costs	7	**(372)**	-
(Loss)/profit on ordinary activities before taxation		**(1,331)**	3,229
Tax charge on (loss)/profit on ordinary activities	8	**(94)**	(277)
(Loss)/profit for the financial year		**(1,425)**	2,952

The company had no other comprehensive income in the financial year or in the preceding financial year other than those dealt with in the profit and loss account. All activities in the current year and preceding periods are derived from continuing operations.

Maybourne Hotels Limited
Registered number: 3669284

Balance sheet
as at 31 December 2018

	Note	**2018 £'000**	2017 £'000
Fixed assets			
Property, plant and equipment	*9*	**1,040**	1,466
Investments	*10*	**868**	868
		1,908	2,334
Current assets			
Debtors	*11*	**111,708**	113,039
Cash at bank and in hand		**8,690**	1,722
		120,398	114,761
Creditors: amounts due within one year	*12*	**(122,935)**	(116,299)
Net current liabilities		**(2,537)**	(1,538)
Net (liabilities)/assets		**(629)**	796
Capital and reserves			
Called up share capital	*14*	**150**	150
Share premium account		**3,052**	3,052
Profit and loss account		**(3,831)**	(2,406)
Shareholders' (deficit)/funds		**(629)**	796

These financial statements were approved by the board of directors on 26 September 2019.

Signed on behalf of the Board of Directors

Liam Cunningham
Director

Maybourne Hotels Limited
Registered number: 3669284

Statement of changes in equity
for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2017	**150**	**3,052**	**(5,358)**	**(2,156)**
Profit for the financial year	-	-	2,952	2,952
Other comprehensive income	-	-	-	-
At 31 December 2017	**150**	**3,052**	**(2,406)**	**796**
Loss for the financial year	-	-	(1,425)	(1,425)
Other comprehensive income	-	-	-	-
At 31 December 2018	**150**	**3,052**	**(3,831)**	**(629)**

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

The Share premium reserve relates to the excees paid by the shareholders to the Company above the nominal value of share capital.

The reserve for Retained earnings relates accumulated profits/(losses) of the Company less any distributions to shareholders.

Notes
to the financial statements

1 Statement of compliance

Maybourne Hotels Limited is a company incorporated and domiciled in the England and Wales. The company's registered office is 27 Knightsbridge, London, SW1X 7LY.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

These financial statements are presented in sterling, being the functional currency of the company. All financial information presented in sterling has been rounded to the nearest thousand, except where otherwise stated.

2 Significant accounting policies

Basis of preparation

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

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

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements ofparagraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements ofthe second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c),120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), l6 and 1 11 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 130(f), 134(d to f) and 135(c to e) of IAS 36 Impairments of Assets.

2 Significant accounting policies *(continued)*

Basis of preparation *(continued)*

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

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

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

Basis of measurement

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

Foreign currency

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

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

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The company does not have any judgements or estimates which may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

2 Significant accounting policies *(continued)*

Going Concern

The Company's business activities, together with the factors likely to affect its future development, is described in the Strategic Report on page 2.

The group headed by the company's intermediate parent company, Constellation Hotels Holding Ltd S.C.A ('the Group'), has considerable financial resources. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, and taking into account the support also assured by Constellation Hotels Holding Ltd S.C.A , the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Revenue recogntion

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

Revenue is recognised for the provision of management services to other entities within the group headed by Selene Holdings Limited ('the Group') and Claridge's Hotel Limited, previous sister company, within Coroin Limited group.

Taxation

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

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

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

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

2 Significant accounting policies *(continued)*

Taxation *(continued)*

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

Provisions

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

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense.

Exceptional items

Exceptional items relate to items considered "non-core" which give a better understanding of the underlying trade when disclose separately. This includes pension recharges for special pension contributions from Coroin Limited.

Pension

Defined contribution plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans
The company is a participating employer in group defined benefit schemes operated by providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by (IAS19 'Employee benefits'), accounts for the schemes as if they were defined contribution schemes. As a result the amount charged to profit or loss account represents the contributions payable to the schemes in respect of the accounting year.

2 Significant accounting policies *(continued)*

Non-derivative financial instruments

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

(i) Financial assets

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

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

Subsequent measurement
The company measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:
- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

(i) **Financial assets** *(continued)*

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

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

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

(i) ***Financial liabilities***

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

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

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

2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

(ii) Ordinary shares

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

Tangible fixed assets

Recognition and measurement
Items of tangible fixed assets are measured at cost less accumulated depreciation and impairment.

If significant parts of an item of tangible fixed assets have different useful lives, then they are accounted for as separate items (major components) of tangible fixed assets.

Any gain or loss on disposal of an item of tangible fixed assets is recognised in profit or loss.

Depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation of tangible assets is provided on a straight-line basis over the following useful lives:

Fixtures and fittings, plant and machinery	between 2 and 20 years

Assets under the course of construction are not depreciated until brought into use.

Impairment

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Significant accounting policies *(continued)*

Investments

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

New and amended standards adopted by the Company:

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

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

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

As part of the review of the impact of adopting the amendments to IFRS the company has taken the opportunity to revisit its disclosure in the financial statements, and has enhanced disclosure in relation to the revenue streams in note 3.

Standards issued but not yet effective

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

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

The Company plans to adopt IFRS 16 using a modified retrospective approach. Under a modified retrospective approach, a company applies the new standard from the beginning of the period this IFRS applies to. Using the modified retrospective approach the Company will not restate comparative information. Instead, the lessee recognises the cumulative effect of initially applying the new standard as an adjustment to equity (if applicable) at the date of initial application.

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

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

3 Turnover

	2018	2017
	£'000	£'000
Management fees	**13,527**	17,109
Property rental	**142**	576
Gain on foreign exchange	**32**	41
Total turnover	**13,701**	17,726

All turnover is derived from operations in the UK.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2018	2017
	No.	No.
Hotel and administration	**81**	79

The aggregate payroll costs of these persons were as follow:

	2018	2017
	£'000	£'000
Wages and salaries	**4,254**	4,258
Social security costs	**453**	121
Other pension costs (excluding exceptional costs)	**309**	288
	5,016	4,667

Directors' remuneration

One of directors is remunerated by third party management company Hume Street Management Consultants Limited which charged fees of £5,000,000 (2017: £5,000,000) to Maybourne Hotels Limited. An amount of £1,824,000 related to services provided to Claridge's Hotel, and an amount of £3,176,000 related to Selene Midco Group for services provided to the Berkeley and Connaught hotels (sister hotels of Claridge's up until the group reorganisation which took place on 12 December 2017).

One of the directors is remunerated by third party management company Al Mirqab Holding Co. which is paid €2,000,000 (2017: €2,000,000) by Constellation Hotel Holdings Ltd S.C.A. an intermediate parent holding company registered in Luxembourg. The directors do not believe that it is practicable to apportion these amounts between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

5 Exceptional items

Exceptional items relate to £3,431,000 *(2017 £3,284,000)* of amounts recharged by Coroin Limited in respect of additional monthly contributions paid to the defined benefit pension scheme to cover the shortfall in funding as recommended in the actuarial valuation at 31 March 2015.

These additional top up contributions increase annually at a rate determined by the Retail Price Index and are required to address the Minimum Funding Requirement shortfall.

6 Statutory information

	2018	2017
	£'000	£'000
Operating profit is stated after charging		
Operating leases – minimum lease payments	**230**	262
Depreciation – owned assets	**562**	415

Auditor's remuneration	**2018**	2017
	£'000	£'000
Audit of these financial statements	**14**	13
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	**35**	18

7 Net finance costs

	2018	2017
	£'000	£'000
Deposit interest receivable	**(6)**	-
Interest accrued on related party creditor	**378**	
Net finance costs	**372**	-

8 Income taxes

(a) Amounts recognised in profit or loss

	2018 £'000	2017 £'000
Current tax		
UK corporation tax	**-**	-
Adjustment in respect of prior years	**15**	-
Total current tax	**15**	-
Deferred tax		
Origination and reversal of temporary differences	**79**	332
Impact of change in tax rates	**-**	(39)
Adjustments in respect of prior periods	**-**	(16)
Total deferred tax charge	**79**	277
Tax charge in the income statement	**94**	277

Reconciliation of tax charge	**31 December 2018 £'000**	31 December 2017 £'000
(Loss)/profit on ordinary activities before tax	**(1,331)**	3,229
Profit on ordinary activities before tax at the standard corporation tax rate in UK of 19.00% *(2017: 19.25%)*	**(253)**	621
Expenses not deductible for tax purposes	**121**	104
Impact of change in tax rates	**(9)**	(39)
Group relief surrendered/(received) not paid for	**219**	(320)
Transfer pricing adjustments	**(1)**	(97)
Adjustment to tax charge in respect of previous periods	**15**	(16)
Amounts not recognised	**2**	24
Total tax charge	**94**	277

Factors which may affect future tax charges

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

9 Property, plant and equipment

	Asset under course of construction £'000	Short leasehold properties £'000	Fixtures fittings, plant and machinery £'000	Total £'000
Cost				
At 31 December 2017	98	171	12,928	13,197
Additions	214	-	-	214
Reclassification	(297)	-	297	-
Disposals	-	-	(391)	(391)
At 31 December 2018	**15**	**171**	**12,834**	**13,020**
Accumulated Depreciation				
At 31 December 2017	-	171	11,560	11,731
Charge for the year	-	-	562	562
Disposals	-	-	(313)	(313)
At 31 December 2018	**-**	**171**	**11,809**	**11,980**
Net book value				
At 31 December 2018	**15**	**-**	**1,025**	**1,040**
At 31 December 2017	98	-	1,368	1,466

10 Investments

Investment in subsidiary undertakings	**2018**	2017
	£'000	£'000
At cost and net book value		
At beginning and end of year	**868**	868

Subsidiary undertaking	**Country of incorporation**	**Activity**	**Shareholding**
Centralglen Limited	Great Britain	Dormant company	100%
The Opheans Limited	Great Britain	Dormant company	100%
Headfort Hotel (Belgravia) Limited	Great Britain	Dormant company	*100%
Motcomb Trust Limited	Great Britain	Dormant company	*100%
The Worcester Building Company Limited	Great Britain	Dormant company	100%
James Edward Limited	Great Britain	Dormant company	100%
The Strand Power Company Limited	Great Britain	Dormant company	100%
Beaufort Construction Limited	Great Britain	Dormant company	100%
Stones Chop House Limited	Great Britain	Dormant company	100%
The Claridge's Hotel Laundry Limited	Great Britain	Dormant company	100%
Patrick Spitfire Limited	Great Britain	Dormant company	100%
BP&S (1906) Limited	Great Britain	Dormant company	100%
Q&M Limited	Great Britain	Dormant company	100%
Project Castle Limited	Great Britain	Dormant company	100%
Only G Limited	Great Britain	Dormant company	100%
Speed 6060 Limited	Great Britain	Dormant company	100%

*Indirect shareholdings

The registered address for each subsidiary is the same as that of the Company.

11 Debtors

	2018	2017
	£'000	£'000
Trade debtors	**18**	19
Amounts owed by group undertakings	**103,870**	97,866
Amounts owed by related party	**4,225**	10,000
Other debtors	**481**	189
Prepayments and accrued income	**282**	385
VAT recoverable	**2,132**	3,801
Deferred tax asset (note 13)	**700**	779
	111,708	113,039

All amounts are due within one year.

12 **Creditors**: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	**437**	2,278
Amounts owed to group undertakings	**101,708**	110,185
Amounts owed to subsidiary undertaking	**868**	868
Amounts owed to related party	**605**	920
Amounts owed to parent undertakings	**17,368**	-
Other taxes and social security	**172**	202
Other creditors	**118**	-
Accruals and deferred income	**1,659**	1,846
	122,935	116,299

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	2018	2017
	£'000	£'000
At 1 January	**779**	1,056
Charged to profit and loss	**(79)**	(277)
At 31 December	**700**	779

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £'000	Assets 2017 £'000	**Liabilities 2018 £'000**	Liabilities 2017 £'000
Property, plant and equipment	**(700)**	(779)	-	-
Tax value of losses carried forward	-	-	-	-
Other temporary differences	-	-	-	-
Net deferred tax (assets)/liabilities	**(700)**	(779)	-	-

14 Called up share capital

	2018	2017
	£'000	£'000
Authorised, called up, allotted and fully paid		
1,000,000 "A" ordinary shares of 10p each	**100**	100
500,000 "B" ordinary shares of 10p each	**50**	50
	150	150

Shares rank equally, except with respect to shareholder rights to dividends and return on capital, where "A" shares are worth 10,000 times more those of "B" shares.

15 Capital commitments

	2018	2017
	£'000	£'000
Capital commitments (Fixtures and fittings, plant and machinery):		
Contracted but not provided for in the accounts	**-**	1,102

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£'000	£'000
Less than one year	**246**	220
Between one and five years	**40**	25
More than five years	**-**	-
	286	245

During the year £230,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £262,000).*

17 Related party disclosures

The Company is exempt under the provisions of IAS 24 *Related Party Disclosures* from disclosing related party transactions entered into with other 100% owned members of the same group of which it is a member.

17 Related party disclosures *(continued)*

At 31 December 2018 an amount of £293,768 (2017: £79,901) remains due from Cottage Linen Limited, a company controlled by common director, in relation to the legal fees incurred on acquisition of Cottage Linen Limited by the director in December 2017. This is a related party by way of common directors.

At 31 December 2018 an amount of £3,619,693 (2017: £9,080,015) remains due from companies that until 12 December 2017 formed part of the same group. They represent intercompany balances related to various business matters of the group. These entities are related parties by way of common directors.

Related party **Asset/(liability)**	**Nature of relationship**	**Opening balance 31/12/2017**	Loans (received)/ advanced	Sales	Payments	**Closing balance 31/12/2018**
		£'000	£'000	£'000	£'000	**£'000**
Hume Street Management Consultants	Common director	**3**	-	5,000	(5,003)	**-**
Coroin Limited	Common director	**1,287**	-	22	(1,287)	**22**
MHG Senior Borrower Limited	Common director	**3,551**	-	-	(3,551)	**-**
Claridges Hotel Limited	Common director	**3,912**	-	3,721	(4,518)	**3,115**
Claridges Hotel Holdings Limited	Common director	**329**	-	11	(329)	**11**
Lomakx Limited	Common director	**839**	-	-	(839)	**-**
Cottage Linen Limited	Common director	**79**	214	-	-	**293**
41-43 Brook Street LLP	Common director	**(920)**	-	168	920	**168**
Selene S.A.R.L.	Parent	**-**	(17,368)	-	-	**(17,368)**

18 Pensions and similar obligations

Maybourne Hotels Limited is a participating employer in two pension schemes:

- The Maybourne Hotels Group Pension and Life Insurance Scheme, a defined benefit scheme, which has two sections – the Staff and Senior Staff sections, was closed to new entrants with effect from 1 August 2006.
- The Maybourne Stakeholder Scheme, a defined contribution scheme, was introduced on 1 August 2006 and is open to all staff if they meet the eligibility criteria. Pensions for 14 employees *(2017: 14 employees)* are funded through this scheme. The defined contribution pension cost for the year amounted to £57,665 *(2017: £65,258)* To comply with the law, the Company auto-enrolled all employees who are not members of any pension scheme from 1 April 2014 – autoenrolment stakeholder pension scheme. 45 employees were auto-enrolled in 2018 *(2017: 48 employees)* with a cost for the year of £37,871 *(2017: £31,387)*. The Company actively encourages staff to join the scheme as it believes that it is an important element of the remuneration package.

On 12 December 2017 Maybourne Hotels Limited, The Berkeley Hotel Limited, The Connaught Hotel Limited ("the Selene Employers") were transferred and ceased to be wholly owned subsidiaries of the same ultimate parent of Claridge's Hotel Limited ("the Transaction"). Up until the date of the transaction the Selene Employers were participating employers in the The Maybourne Hotels Group Pension and Life Insurance Scheme ("the Scheme") in respect of some of their employees. Claridge's Hotel Limited was the principal employer under the Scheme rules.

As a consequence of the Selene Employers not having a common ultimate parent with Claridge's Hotel Limited following the Transaction, the continued participation in the Scheme by the Selene employers required the agreement with the Trustees of the Scheme ("the Trustees") and Claridge's Hotel Limited. Interim agreement through a Memorandum of Understanding ("MOU") was reached on 11 December 2018 between the employers (including the Selene employers) and the Trustees that they will use reasonable endeavours to ensure that the actuarial valuation of the Scheme as at 31 March 2018 will be completed by 30 June 2019 and they will use all reasonable endeavours to ensure that a long term funding and investment strategy will be agreed by 30 June 2019. The MOU also documented that if the matters referenced above were agreed and documented to the satisfaction of the Trustees by 30 June 2019 the Trustees and Employer will take such steps as are necessary to allow the Selene or "Relevant" Employers (Maybourne Hotels Limited, The Berkeley Hotel Limited and The Connaught Hotel Limited) to continue to participate in the Scheme after 30 June 2019, such that no debt becomes due under section 75 of the Pensions Act 1995 on or before 30 June 2019 by reason of an actual or deemed employment-cessation event.

On 27 June 2019 the Employers including the Relevant Employers confirmed to the Trustees their acceptance of the 31 March 2018 valuation and confirmed their agreement to the proposals documented in the Trustees letter to the company dated 17 June 2019 confirming the continued participation in the scheme by the Relevant Employers should agreement be reached. The directors therefore consider agreement to have been reached with effect from 27 June 2019 and that section 75 liabilities will not be crystallised on the basis of this agreement including the Trustees agreement for continued participation in the scheme of the Relevant employers. The Relevant employers will continue discussion with the Trustees to decide the investment strategy and the long term future of the scheme.

18 Pensions and similar obligations *(continued)*

It was agreed that obligations in respect of the Scheme would be allocated between Coroin Limited and Claridge's Limited ("the Coroin Employers") on the one hand and the Selene Employers on the other hand in the ratio 49.5% to 50.5%. It was also agreed that future service contributions would be payable by each of the Employers as a percentage of the pensionable salaries of their respective employees who are members of the Scheme.

Management intend for the Scheme to be operated in this fashion with additional payment obligations above future service contributions being met initially by Coroin Limited on behalf of the Coroin Employers and by The Berkeley Hotel Limited on behalf of the Selene Employers. Accordingly, Coroin Limited recognises 49.5% of the Scheme net pension obligation in its balance sheet and 50.5% of the Scheme net pension obligation (along with the associated deferred tax) was transferred through equity to the balance sheet of The Berkeley Hotel Limited, the Company's sister company and the principal employer for the Selene employers.

The defined benefit liability for the Selene employers is disclosed fully in the accounts of The Berkeley Hotel Limited. In prior years it was fully disclosed in the consolidated accounts of Coroin Limited.

The directors are unable to identify the Company's share of the scheme assets and liabilities as;

- Most scheme members have worked for more than one company within the Group. The Group structure has also changed materially over time due to restructurings, acquisitions and disposals. It is therefore not appropriate to allocate assets and liabilities between the participating companies.
- For funding purposes, the employers within the group share actuarial risks. The determination of cash contributions does not separately identify assets and liabilities for individual participating companies and all employers pay the same contribution rate in respect of accruing benefits. Contributions in respect of the past service deficit are paid separately by another group company.

As a result it is accounted for as a defined contribution scheme. The scheme is currently in deficit and the overall Group contributions have been capped at £345,906 a month (2017: £332,282 a month). At 31 December 2018 this deficit, calculated in accordance with IAS 19, amounted to £1.46 million (31 December 2017: deficit of £4.2 million), split between Coroin Limited £0.72 million and The Berkeley Hotel Limited £0.74 million. Full details of the scheme are disclosed in the accounts of Coroin Limited and The Berkeley Hotel Limited.

19 Ultimate parent company

The company's ultimate parent company and controlling party is Prime Capital S.A., a company incorporated in Luxembourg. This is the largest group in which the results of the company are consolidated.

The ultimate controlling party is His Excellency Sheikh Hamad Bin Jassim Bin Jaber Al Thani.

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

20 Subsequent events

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