

Company No: 04216917

GHH HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

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GHH HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTOR B Matteson

COMPANY NUMBER 04216917

REGISTERED OFFICE 3rd Floor, One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

AUDITOR RSM UK Audit LLP
Chartered Accountants
3rd Floor, One London Square
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GHH HOLDINGS LIMITED

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GHH HOLDINGS LIMITED

STRATEGIC REPORT

The Director presents the Strategic Report of the Company (Company No: 04216917) for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is property investment. The investment property comprises the Company's long leasehold interest in the Grosvenor House Hotel, Park Lane, London.

BUSINESS REVIEW

The financial performance is presented in the statement of comprehensive income on page 9. The profit for the year was £12,404,907 (2016: loss of £44,262,573), which includes the upwards revaluation of the investment property by £74,250,000. At the end of the year, the statement of financial position showed total assets of £676,824,865 (2016: £623,443,332) and equity of £135,079,146 (2016: £62,722,945).

On 6 July 2017, the Company was acquired by GH Equity Limited, a company registered in Jersey. The group's cross-collateralised financing arrangements with the former owners, the Sahara group, were discharged as at that date. The Company's own financing arrangements were repaid in July 2017 and a new financing arrangement with the Company's new owners was put in place as at that date.

In December 2017 the Company refinanced £420m of the financing arrangements put in place by the new owners in July 2017 by drawing down a 7-year bank loan facility. Immediately prior to these financing arrangements, ownership of the company was transferred to GHH Mezz II Limited, a company also registered in Jersey. There was no change in ultimate ownership of the company as a result of this ownership transfer.

In the light of the financing arrangements put in place by the new owners, the Director considers it appropriate to prepare the financial statements on a going concern basis. Further detail of the funding arrangements are given in notes 14 and 15 of the financial statements.

No dividends were paid during the year and the Director does not recommend a dividend in respect of 2017 (2016: £Nil).

Rent receivable for the period amounted to £28,180,397 (2016: £27,726,206), and interest payable for the period amounted to £48,505,980 (2016: £49,153,622).

A valuation of the investment property was undertaken by an independent professional valuer as at 3 October 2017. The entire leasehold property, including the element owned by the Company's subsidiary undertaking Reeves Lease Limited, was valued on an open market basis at that date at £650,000,000. It was previously valued at £575,000,000. The Director's estimation of the valuation attributable to the Company's directly owned element of the investment property at 31 December 2017 was £643,500,000 (2016: £569,250,000).

GHH HOLDINGS LIMITED

STRATEGIC REPORT (Continued)

POST BALANCE SHEET EVENTS

Subsequent to the year end, in February 2018, the Company's group entered into additional third party financing arrangements, from which funds were lent on to the Company to allow a £40m repayment of its bank loan financing, reducing the Company's external borrowings to £380m.

KEY PERFORMANCE INDICATORS

The board of Directors reviews and monitors the following key performance indicators:

	2017 £	2016 £
Investment property valuation	643,500,000	569,250,000
Rental income	28,180,397	27,762,206
Rental yield	4.4%	4.9%
Ratio of third party financing to property value	65%	64%

The Director considers that in view of current market conditions, performance against these areas was acceptable.

FUTURE DEVELOPMENTS

The Director remains alert to good business opportunities within the sector, although no opportunities for new activities are currently being pursued. In February 2018 the Director made arrangements to restructure and agree new terms for the group financing arrangements that were in place as at 31 December 2017.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Director monitors potential areas of business risk and addresses the risks wherever possible.

The Director has assessed the key risks to the Company and considers that it is exposed to liquidity risk, interest rate risk, tenant credit risk, cash flow risk and market value risk, summarised as follows:

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company seeks to minimise liquidity risk on refinancing by borrowing for as long as possible and at the lowest acceptable cost. The Company's third party financing arrangements are repayable in 2024 and the Director is confident that there is no foreseeable risk to the Company's liquidity.

Interest rate risk

At 31 December 2017 the Company is party to a variable rate loan of £420m. An interest rate swap which fixed the interest rate on an amount of £350m was put in place on 7 December 2017 and was still held at 31 December 2017. The Company was therefore exposed to the risk of interest rate changes on borrowings of £70m. Since 31 December 2017, the Company's external borrowings were restructured, and the variable rate loan was reduced to £380m. The interest rate swap was also increased to £380m, which means that interest is now effectively fixed on the entire amount of the variable rate loan balance.

Other than the interest rate swap, the Company does not use any other financial instruments to mitigate its risk.

GHH HOLDINGS LIMITED

STRATEGIC REPORT (Continued)

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Tenant credit risk

The Company is exposed to tenant credit risk, which is the risk of the lessee not making agreed rental payments. The risk has been mitigated by the Company obtaining, by way of the property lease agreement, a guarantee in respect of rental payments from the lessee's controlling party, Marriott International Inc.

The Company is also exposed to cross-collateralised risk arising from loan guarantees between the Company and its fellow group companies. The cross-collateralisation arrangements are disclosed in more detail in note 20.

Cash flow risk

The Company is at risk of not making its interest and other payments if it is unable to collect receivables when due. The Company minimises cash flow risk by minimising its tenant credit risk and through the use of specialist managing agents to ensure collection of rent takes place on time.

Market value risk

The Company is exposed to the risk of a drop in the market value of its investment property. The Company's investment property value is determined by market forces outside of the Company's control. The Company is exposed to loan default implications resulting from a fall in property values as the loan financing arrangements include loan to value covenants.

Further details of the Company's risk and capital management policies can be found in note 18.

ON BEHALF OF THE BOARD



B Matteson
Director

Dated June 29, 2018

GHH HOLDINGS LIMITED

DIRECTOR'S REPORT

The Director presents the Report and audited Financial Statements of the Company (Company No: 04216917) for the year ended 31 December 2017. The Company is incorporated as a limited Company and is domiciled in England, and is registered under the Companies Act 2006.

DIRECTORS

The following Director held office at the date of signing this report:

Bret Matteson (appointed 6 July 2017)

The following Directors resigned from office on 6 July 2017:

Subrata Roy Sahara
Swapna Roy
Om Prakash Srivastava
Sushanto Roy
Sandeep Wadhwa
Vijay Singh Dogra

SIGNIFICANT EVENTS

On 6 July 2017, the Company was acquired by GH Equity UK Limited. The Company's cross-collateralised financing arrangements with the former owners, the Sahara group, were discharged as at that date. The Company's own financing arrangements were repaid in July 2017 and a new financing arrangement was put in place by the Company's owners as at that date. In December 2017 the Company refinanced £420m of the July 2017 financing arrangements with a new third party lender.

Further details are set out in the Strategic Report on pages 1 to 3.

POLICY ON PAYMENT OF SUPPLIERS

Substantially all of the supplier payment terms are 30 days (2016: 30 days). The policy is to pay suppliers by the due date. The current trade creditors days are 9 days (2016: 0 days).

AUDITOR

RSM UK Audit LLP has indicated its willingness to continue in office.

GHH HOLDINGS LIMITED

DIRECTOR'S REPORT (Continued)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Director confirms that so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he ought to have taken as Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

Information regarding strategy, principal risks and uncertainties, and key performance indicators are not shown in the director's report as this information is presented in the strategic report in accordance with section 414c(11) of the Companies Act 2006.

ON BEHALF OF THE BOARD



B Matteson

Director

Dated: *June 28,* 2018

GHH HOLDINGS LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT

The Director is responsible for preparing the Director's Report, the Strategic Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Director to prepare Financial Statements for each financial year. The Director has elected under company law to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and has decided under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

Under Company law the director must not approve the financial statements unless he is 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 the Financial Statements, the Director is required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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 him to ensure that the Financial Statements comply with the Companies Act 2006. The Director is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GHH HOLDINGS LIMITED

Opinion

We have audited the financial statements of GHH Holdings Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GHH HOLDINGS LIMITED

(Continued)

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 the 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; or

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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: <http://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.



Jonathan Da Costa (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor, One London Square
Cross Lanes
Guildford
Surrey, GU1 1UN

 2018

GHH HOLDINGS LIMITED**STATEMENT OF COMPREHENSIVE INCOME**
for the year ended 31 December 2017

	Note	2017 £	2016 £
Revenue	3	28,767,950	28,315,217
Administrative expenses – recurring	4	(909,560)	(1,234,106)
Administrative expenses – exceptional	4	(666,206)	(1,572,636)
Increase in fair value of investment property	10	74,250,000	-
Operating profit		101,442,184	25,508,475
Fair value loss on derivative financial instruments		(4,537,519)	-
Finance costs – recurring	6	(31,739,919)	(27,903,847)
Finance costs – exceptional	6	(47,663,452)	(48,069,235)
Finance income	7	236,255	-
Profit/(loss) before taxation	4	17,737,549	(50,464,607)
Income tax (expense)/credit	9	(5,332,642)	6,202,034
Profit/(loss) and total comprehensive income/(expense) for the year		12,404,907	(44,262,573)

GHH HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

Company No: 04216917

	Note	2017 £	2016 £
ASSETS			
Non-current assets			
Investment property	10	643,500,000	569,250,000
Investments	11	1	1
		<u>643,500,001</u>	<u>569,250,001</u>
Current assets			
Trade and other receivables	12	11,968,692	7,976,328
Current tax receivable		474,357	-
Cash and cash equivalents		20,881,815	46,217,003
		<u>33,324,864</u>	<u>54,193,331</u>
TOTAL ASSETS		<u>676,824,865</u>	<u>623,443,332</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	770,001	770,001
Retained earnings		134,309,145	61,952,944
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		<u>135,079,146</u>	<u>62,722,945</u>
Non-current liabilities			
Borrowings	15	414,871,317	130,319,293
Derivative financial instrument	16	4,537,519	-
Deferred tax liabilities	17	8,060,756	2,728,114
Total Non-current liabilities		<u>427,469,592</u>	<u>133,047,407</u>
Current liabilities			
Trade and other payables	13	114,276,127	62,824,835
Borrowings	14	-	364,848,145
Total current liabilities		<u>114,276,127</u>	<u>427,672,980</u>
TOTAL LIABILITIES		<u>541,745,719</u>	<u>560,720,387</u>
TOTAL EQUITY AND LIABILITIES		<u>676,824,865</u>	<u>623,443,332</u>

The Financial Statements were approved by the Board of Directors and authorised for issue on Jan 29, 2018 and are signed on its behalf by:


B Matteson

GHH HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2016	770,001	106,215,517	106,985,518
<i>Changes in equity for 2016</i>			
Loss and total comprehensive expense for the year	-	(44,262,573)	(44,262,573)
Balance at 31 December 2016	<u>770,001</u>	<u>61,952,944</u>	<u>62,722,945</u>
<i>Changes in equity for 2017</i>			
Profit and total comprehensive income for the year	-	12,404,907	12,404,907
Transactions with shareholders: Group loans waived	-	59,951,294	59,951,294
Balance at 31 December 2017	<u>770,001</u>	<u>134,309,145</u>	<u>135,079,146</u>

Share Capital

Share capital represents the par value of ordinary shares issued by the Company.

Retained Earnings

Retained earnings represent the cumulative profit and loss of the Company, net of distributions to owners.

GHH HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit/(loss) for the year before tax	17,737,549	(50,464,607)
Finance costs	79,403,371	75,973,082
Finance income	(236,255)	-
Increase in fair value of investment property	(74,250,000)	-
Fair value loss on derivative financial instruments	4,537,519	-
Operating cash flows before movements in working capital	27,192,184	25,508,475
(Increase)/decrease in trade and other receivables	(3,914,964)	8,182,281
Increase/(decrease) in trade and other payables	89,311,478	(1,343,933)
Cash generated from operations	112,588,698	32,346,823
Interest paid	(41,523,936)	(59,574,144)
Interest received	4,013	-
Net cash generated from/(used in) operating activities	71,068,775	(27,227,321)
Income tax (paid)/credit received	(474,357)	149,267
Cash flows from financing activities		
Advance on secured loan borrowings	85,000,000	102,598,145
Advance on bank borrowings	420,000,000	-
Bank loan arrangement fees	(5,183,415)	-
Repayment of bank loan borrowings	-	(1,525,000)
Repayment of secured loan borrowings	(466,370,087)	-
Repayment of other borrowings	(129,376,104)	(27,803,414)
Net cash flow (used in)/generated from financing activities	(95,929,606)	73,269,731
Net (decrease)/increase in cash and cash equivalents	(25,335,188)	46,191,677
Cash and cash equivalents at beginning of the year	46,217,003	25,326
Cash and cash equivalents at end of the year	20,881,815	46,217,003

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and other short term, highly liquid investments with a maturity of less than three months. This is consistent with the presentation in the statement of financial position.

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1. PRINCIPAL ACCOUNTING POLICIES

General information

The principal activity of the Company is property investment in the Grosvenor House Hotel, Park Lane London.

The Company is a private company limited by shares and it is incorporated and domiciled in the UK. The address of its registered office is 3rd Floor, One London Square, Cross Lanes, Guildford, GU1 1UN.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the EU ("IFRS") and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis except for the re-measurement of investment properties and certain financial instruments that are measured at fair values at the end of each reporting period.

The Company has changed its accounting reference date from 29 December to 31 December. The 2016 financial statements were prepared to 31 December 2017 in accordance with Section 390(2) of the Companies Act 2016 (2016: 31 December 2016)

Adoption of new and revised Standards

In the current year, the following new and revised standard and interpretations have been adopted:

Amendments to IFRS 12: Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IAS 7: Disclosure Initiative
Annual Improvements to IFRSs 2014-2016 Cycle

None of the new or revised standards that have been adopted affected the amounts reported in the financial statements.

At the date of authorisation of these financial statements the Company had not applied the following new and revised IFRSs that have been issued but are not yet effective:

Standard	Key requirements	Effective date adopted by EU
IFRS 9	Financial Instruments – addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. An expected credit losses model replaces the incurred loss impairment model used in IAS 39.	1 January 2018
IFRS 15	Revenue from contracts with customers – Introduces requirements for companies to recognise revenue for the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Also results in enhanced disclosure about revenue.	1 January 2018

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2017

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Standard	Key requirements	Effective date adopted by EU
IFRS 16	Leases – Introduces a single lessee accounting model and eliminates the previous distinction between an operating and a finance lease.	1 January 2019

The directors have assessed the impact of the adoption IFRS 15 and IFRS 9 and their assessment is that there will be no material impact on the financial statements of the Company when the relevant standards and interpretations comes into effect.

The directors have not yet fully assessed the effect the adoption of IFRS 16 will have on the financial statements in future periods. It is not practicable to provide a reasonable estimate of the effect of these standards on the financial statements in future periods until a detailed review has been completed.

Going concern

The Director has reviewed the expected cash flows of GHH Holdings Limited over a period of at least twelve months from the date of approval of these financial statements and considers that there will be sufficient working capital for the Company to meet its external liabilities as they fall due for the foreseeable future.

On 6 July 2017 the Company was acquired by GH Equity UK Limited. On this date, the Company's secured loan was repaid and the cross-collateralised financing arrangements within the former owners, the Sahara group, were discharged. This was done by way of a financing arrangement put in place by the group's new owners, and as a result of this financing arrangement the funds were passed down to the Company via an intragroup balance, repayable on demand.

In December 2017 the Company refinanced £420m of the July 2017 financing arrangements by drawing down a 7-year bank loan facility.

In February 2018 the Company's group entered into new financing arrangements, from which funds were lent on to the Company to allow a £40m repayment of its bank loan financing, reducing the Company's external borrowings to £380m.

The Company has received confirmation from its group undertakings that they will not seek repayment of the intragroup balance owed by the Company and will provide sufficient funds, should they be required, to allow the company to meet its debts as and when they fall due for a period of not less than 12 months from the date of these signed financial statements.

As a result of the new financing arrangements which have been put in place and the confirmation of group support the Director considers it appropriate to prepare the financial statements on a going concern basis.

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **for the year ending 31 December 2017**

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Consolidated financial statements

The Company has taken advantage of the exemption in section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the Company as a single entity.

Foreign currency translation

The functional and presentational currency of the Company is Sterling.

Revenue recognition

Leasing

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the relevant lease in the income statement. Rent free periods and other incentives given to tenants at the inception of the lease are spread on a straight-line basis over the relevant lease term and also recognised in the income statement. Rental income received in advance is deferred to the future period to which it relates.

Other income included within revenue represents insurance commissions receivable and lease premiums payable by tenants upon surrender of a lease. Insurance commissions are recognised as income on an accruals basis in the income statement based upon the effective commencement or renewal dates of the related policies. Any timing differences arising at the reporting date are recognised as either deferred or accrued income in the statement of financial position as applicable.

Finance costs

Finance costs represent interest expense incurred on financial liabilities held at amortised cost. These are determined using the effective interest rate method, which is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

Investment property

Investment property, which is property held either to earn rental income or for capital appreciation or both, is stated at its fair value at the reporting date. The method of establishing fair value is stated in note 10. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income for the period in which they arise.

Gains or losses arising from disposal of investment property, being the difference between the net disposal proceeds and carrying value, are included in profit or loss in the year of the disposal.

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ending 31 December 2017

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Company has become party to the contractual provisions of the instrument.

Financial assets

Trade and other receivables

Trade and other receivables and loans are classified as loans and receivables and are initially recognised at fair value plus transaction costs. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment. A provision for impairment is made where there is objective evidence (including customers with financial difficulties or in default on payments) that amounts will not be recovered in accordance with the original terms of the agreement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term investments held by the Company with maturities of less than three months. These are highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

Trade and other payables

Trade and other payables and borrowings are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method, with all movements being recognised in the statement of comprehensive income. Cost approximates to fair value.

Equity

Equity instruments issued are recorded at fair value on initial recognition net of transaction costs.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Segmental reporting

The Director considers there to be only one operating segment, being the rental of the Company's long leasehold interest in the Grosvenor House Hotel, Park Lane, London, and accordingly no separate segmental analysis is disclosed.

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ending 31 December 2017

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to other comprehensive income, in which case the current or deferred tax is also recognised in other comprehensive income.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities on either:

- the same taxable entity; or
- different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise and settle them simultaneously in each future period when the significant deferred tax assets and liabilities are expected to be realised or settled.

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ending 31 December 2017

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting judgements will, by definition, seldom equal the related actual results. 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:

Investment property

The key accounting estimate in preparing these Financial Statements relates to the carrying value of the investment property which is stated at fair value. The valuation of the Company's investment property is inherently subjective as it is made on the basis of valuation assumptions which may in future not prove to be accurate. The property valuation included in these financial statements was performed by a third party professional valuer. Details of the valuation of the investment property are set out in note 10.

Deferred taxation

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

Interest rate swap

The fair value of the interest rate swap is based on valuation techniques that are consistent with generally accepted valuation methodologies for pricing financial instruments and they incorporate all factors and assumptions that market participants would consider in setting the price. The fair value is determined on the basis of the current value of the difference between the contractual interest rate and the market rate at the reporting date.

3. REVENUE	2017 £	2016 £
Rental income	28,180,397	27,726,206
Other property related income	587,553	589,011
	<u>28,767,950</u>	<u>28,315,217</u>

All rental income is generated from the investment property in the United Kingdom. Rental income consists of £28,130,397 and £50,000 (2016: £27,676,206 and £50,000) derived from two external tenants respectively.

GHH HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
for the year ending 31 December 2017

4. PROFIT/(LOSS) BEFORE TAXATION	2017	2016
	£	£
The profit/(loss) before taxation is stated after charging:		
Rentals under operating leases	31,041	28,956
Amounts payable to the auditor:		
- for audit services	30,000	25,000
- for tax compliance services	11,250	16,000
- for other non-audit services	66,205	35,750
	<u> </u>	<u> </u>
Administrative expenses by nature:		
Property management, hotel management and insurance costs	670,996	1,057,882
Operating lease payments	31,041	28,956
Other expenses	873,729	1,719,904
	<u>1,575,766</u>	<u>2,806,742</u>

Included within Administrative expenses are non-recurring costs of £666,206 (2016: £1,572,636) in respect of professional fees incurred in relation to the financing and refinancing arrangements.

5. TRANSACTIONS WITH SHAREHOLDERS	2017	2016
	£	£
Group loans waived	59,951,294	-
	<u> </u>	<u> </u>

Included in the Statement of Changes in Equity are transactions with shareholders which relate to the net effect of amounts owed to and from former group undertakings and related parties which were formally waived prior to the change in the Company's ownership in July 2017.

6. FINANCE COSTS	2017	2016
	£	£
Bank charges	1,492	2,742
Interest payable on Eurobond loan note	6,443,899	16,544,146
Interest payable on secured loan	8,876,542	11,348,103
Interest payable on bank loan	1,137,066	-
Default interest payable on secured loan – exceptional	16,822,285	21,261,373
Interest payable on group loans	15,226,188	-
Refinancing transaction costs – amortisation	54,732	8,856
Refinancing transaction costs – exceptional	30,841,167	26,807,862
	<u>79,403,371</u>	<u>75,973,082</u>

Included within exceptional refinancing transaction costs are previously capitalised loan arrangement fees which have now been expensed of £16,536,879 (2016: £nil) and other loan arrangement fees incurred in relation to the refinancing arrangements during the year totalling £14,304,288 (2016: £26,807,862).

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2017

7. FINANCE INCOME	2017 £	2016 £
Interest receivable on group loan	232,242	-
Other interest receivable	4,013	-
	<u>236,255</u>	<u>-</u>

8. STAFF COSTS

The Director and former Directors received no emoluments for their services as Directors during the current year (2016: £Nil). The Company has no employees (2016: none) except the Directors.

9. TAXATION	2017 £	2016 £
Current taxation		
Tax charge for the year	-	-
Adjustments in respect of prior periods	-	(149,267)
Deferred taxation (note 17)		
Origination and reversal of temporary differences	5,332,642	(7,305,634)
Adjustments in respect of prior periods	-	721,434
Amount relating to change in tax rate	-	531,433
Deferred tax expense for the year	<u>5,332,642</u>	<u>(6,052,767)</u>
Total income tax charge/(credit)	<u>5,332,642</u>	<u>(6,202,034)</u>

The actual tax charge differs from the expected tax charge computed by applying the UK corporation tax rate of 19% (2016: 20.00%) as follows:

	2017 £	2016 £
Profit/(loss) before taxation	<u>17,737,549</u>	<u>(50,464,607)</u>
Profit/(loss) before taxation, multiplied by standard rate of UK corporation tax of 19% (2016: 20.00%)	3,370,134	(10,092,921)
Effects of:		
Non-deductible items	3,093,776	142,557
Effects of changes in rates and laws	(951,248)	547,973
Adjustment in respect of prior periods	-	572,167
Investment property revaluation and indexation	(5,852,983)	(3,179,715)
Transfer pricing adjustments	2,756,664	5,807,905
Losses surrendered to group	2,847,044	-
Other tax adjustments	69,255	-
	<u>1,962,508</u>	<u>3,890,887</u>
Total income tax expense/(credit)	<u>5,332,642</u>	<u>(6,202,034)</u>

GHH HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
for the year ended 31 December 2017**9. TAXATION (CONTINUED)**

A reduction in the main corporation tax rate from 20% to 19% from 1 April 2017 was announced in the Finance (No 2) Act 2015, which had its third reading in the House of Commons on 26 October 2015. The UK main corporation tax rate will reduce to 17% from 1 April 2020, announced in the Finance Bill 2016, which was substantively enacted on 12 September 2016. The changes have been substantively enacted at the reporting date. The deferred tax assets and liabilities reflect these rates.

The Company has estimated trading losses and management expenses of £62,258,437 (2016: £51,172,216) available to carry forward against future taxable profits.

10. INVESTMENT PROPERTY	2017	2016
	£	£
Fair value:		
Opening balance for the year	569,250,000	569,250,000
Fair value adjustment	74,250,000	-
Closing balance for the year	<u>643,500,000</u>	<u>569,250,000</u>

The investment property comprises a long leasehold over the Grosvenor House Hotel, Park Lane, London, expiring in 2104.

A valuation of the investment property was undertaken by an independent professional valuer as at 3 October 2017. The entire leasehold property, including the element owned by the Company's subsidiary undertaking Reeves Lease Limited, was valued on an open market basis at that date at £650,000,000. It was previously valued at £575,000,000. The Director's estimation of the valuation attributable to the Company's directly owned element of the investment property at 31 December 2017 was £643,500,000 (2016: £569,250,000) which represents his best estimate of the investment property's fair value at 31 December 2017.

The valuation method represents a level 2 valuation, as defined in IFRS 13: Fair Value Measurement, including both direct and indirect observable inputs for the investment property.

The professional valuation was on an open market basis and was arrived at by reference to market evidence and discounted cash flows. The valuation projects income over the period of the lease agreement, discounted at a rate of 6% based on market yield rates. Other valuation considerations applied in the valuation include consideration of recent survey reports, the UK and London hotel and Superior Deluxe hotel markets, and comparable transactions.

The property rental income earned by the Company from its investment property amounted to £28,180,397 (2016: £27,726,206).

The lessee, Marriott International Inc., bears the contractual obligation to maintain the investment property. Neither the Company nor the lessee has a contractual obligation to purchase or develop the property.

The investment property comprises a long leasehold over the Grosvenor House Hotel, Park Lane, London, expiring in 2104.

On 2 March 2016 the Company transferred the ownership of the Grosvenor House Garage, Reeves House, and 39 & 40 Reeves Mews elements of the long leasehold property interests in the Grosvenor House Hotel to its subsidiary, Reeves Lease Limited.

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2017

11. INVESTMENTS

**Shares in group
undertakings
£**

Investments in subsidiaries:

At 1 January 2017 and 31 December 2017 1

The Company has investments in the following subsidiary:

Name of subsidiary	Place of incorporation	Proportion of ownership & voting power %	Nature of business
Reeves Lease Limited	United Kingdom	100	Property ownership
<i>Registered office: 3rd Floor, One London square, Cross Lanes, Guildford, Surrey, GU1 1UN</i>			

12. TRADE AND OTHER RECEIVABLES

	2017 £	2016 £
Trade receivables	37,574	44,636
Group receivables	7,904,967	7,889,888
Prepayments and accrued income	19,325	41,804
Other receivables	4,006,826	-
	<u>11,968,692</u>	<u>7,976,328</u>

The director considers that the carrying amount of trade and other receivables approximates to their fair value. All receivables are denominated in Sterling.

At 31 December 2017 no trade receivables were past due or impaired (2016: £Nil).

GHH HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
for the year ended 31 December 2017

13. TRADE AND OTHER PAYABLES	2017	2016
	£	£
Trade payables	39,563	-
Group payables	101,935,755	52,704,111
Accruals and deferred income	11,104,513	8,679,978
Other payables	1,196,296	1,440,746
	<u>114,276,127</u>	<u>62,824,835</u>

Group payables at 31 December 2017 represent amounts owed to the Company's new group undertakings following the discharge and repayment of the previous financing arrangements, and after repayment of amounts lent following the subsequent drawdown of the £420m bank loan facility. The group payables are unsecured and repayable on demand. Interest accrues at 7.3% (2016: 0%).

The director considers that the carrying amount of trade and other payables approximates to their fair value. All payables are denominated in Sterling.

14. BORROWINGS - CURRENT	2017	2016
	£	£
Secured loan	-	364,848,145
	<u>-</u>	<u>364,848,145</u>

The former owners' group breached certain covenants in previous periods in respect of their loan borrowings. This constituted an event of default in respect of these companies' borrowings. As a result of the cross default and cross-collateralisation arrangements between the Company and these former related parties, an event of default was also deemed to have occurred in respect of the Company's own former borrowings. This caused the bank loan to be called on demand at 31 December 2016. The event of default continued into the current financial period.

The interest terms at 31 December 2016 were 3-month LIBOR plus a 12% margin, consisting of a cash payment margin of 4% and a capitalising margin of 8%. At 31 December 2016, the secured loan borrowings amounted to £381,370,088 (excluding capitalised finance costs of £16,521,943).

On 6 July 2017, following the change of ownership of the Company, the Company's cross-collateralised financing arrangements with its former group were discharged and the financing arrangements which then amounted to £466,370,087 were repaid under new arrangements with the group's new owners (see note 13).

15. BORROWINGS - NON-CURRENT	2017	2016
	£	£
Eurobond loan note	-	130,319,293
Bank loans	414,871,317	-
	<u>414,871,317</u>	<u>130,319,293</u>

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2017

15. BORROWINGS – NON-CURRENT (continued)

The Eurobond loan note was held by the former parent Company. The loan note was quoted on the Channel Islands Stock Exchange. The loan bore interest at 8.75% per annum and was initially recognised at fair value, net of transaction costs of £65,677. The loan note was unsecured.

On 6 July 2017, the Eurobond loan note was repaid, except for an amount of £958,126 which was waived, and was replaced by new financing arrangements with the Company's new owners.

In December 2017 the Company arranged a £420m bank loan facility agreement. The loan is secured with fixed and floating charges over the assets of the Company. The loan is repayable in December 2024, and interest is payable quarterly in arrears at a margin of 2.45% over 3 month LIBOR. The bank loan was initially recognised at fair value, net of transaction costs of £5,183,415.

In December 2017 the Company entered into an interest rate swap which fixes the variable element of the interest on an amount of £350m at 1.352%.

Subsequent to the year end, in February 2018, the bank loan has reduced to £380m and the interest margin also reduced to 2.08% over 3-month LIBOR, and correspondingly the interest rate swap was amended to fix variable interest on £380m at 1.373%, which means that interest was fixed at 3.453% with effect from that date.

Reconciliation of liabilities arising from financing activities:

Group	31 December 2016 £	Cash flows £	Non-cash changes £	31 December 2017 £
Bank loan	-	414,816,585	54,732	414,871,317
Eurobond loan note	130,319,293	(129,376,104)	(943,189)	-
Secured loan	364,848,145	(381,370,087)	16,521,942	-
	<u>495,167,438</u>	<u>(95,929,606)</u>	<u>15,633,485</u>	<u>414,871,317</u>

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 £	2016 £
Interest rate swap	<u>4,537,519</u>	<u>-</u>

The fair value of the interest rate swap represents the conversion of £350m of variable rate borrowings to a fixed rate exposure of 1.352% at 31 December 2017 for a period of 7 years.

The interest rate swap is not traded in an active market. As a result, the fair value is based on valuation techniques that are consistent with generally accepted valuation methodologies for pricing financial instruments and they incorporate all factors and assumptions that market participants would consider in setting the price. The fair value is determined on the basis of the current value of the difference between the contractual interest rate and the market rate at the reporting date.

GHH HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
for the year ended 31 December 2017**17. DEFERRED TAX LIABILITIES**

Provision for deferred taxation has been made as follows:

	Chargeable gains £	Accumulated tax losses £	Accelerated depreciation £	Total £
At 1 January 2016	4,401,068	(4,186,212)	8,566,025	8,780,881
Credit to statement of comprehensive income	(2,920,234)	(2,606,033)	(526,500)	(6,052,767)
At 31 December 2016	<u>1,480,834</u>	<u>(6,792,245)</u>	<u>8,039,525</u>	<u>2,728,114</u>
Charge/(credit) to statement of comprehensive income	9,074,769	(3,791,689)	49,562	5,332,642
At 31 December 2017	<u><u>10,555,603</u></u>	<u><u>(10,583,934)</u></u>	<u><u>8,089,087</u></u>	<u><u>8,060,756</u></u>

18. FINANCIAL INSTRUMENTS

The totals for each category of financial instrument, measured in accordance with IAS 39 as detailed in the accounting policies, are as follows:

Loans and receivables

	2017 £	2016 £
Current assets		
Trade and other receivables	11,949,950	7,935,019
Cash and cash equivalents	20,881,815	46,217,003
Total financial assets	<u><u>32,831,765</u></u>	<u><u>54,152,022</u></u>

Other liabilities held at amortised cost

	2017 £	2016 £
Current liabilities		
Trade and other payables	105,875,415	54,343,822
Loans and borrowings	-	364,848,145
Non-current liabilities		
Loans and borrowings	414,871,317	130,319,293
Total financial liabilities	<u><u>520,746,732</u></u>	<u><u>549,511,260</u></u>

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2017

18. FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value

	2017 £	2016 £
Interest rate swap	(4,537,519)	-

In relation to the nature of the financial instruments that are measured in the Statement of Financial Position at fair value, IFRS 7 requires them to be put into a fair value measurement hierarchy, based on the lowest level of input significant to the overall fair value, as follows:

- Level 1 – quoted prices for similar instruments
- Level 2 – directly observable market inputs other than Level 1 inputs
- Level 3 – inputs not based on observable market data

The inputs used in determining the fair value of the interest rate swap fall within Level 2 of the fair value hierarchy.

The Director considers the book value of all financial instruments to equate to their fair value.

The Director monitors the Company's financial risk management policies and exposure and approves financial transactions. The Director's overall risk management strategy seeks to assist the Company in meeting its financial targets whilst minimising potential adverse effects on financial performance.

Specific financial risk exposures and management

The Company's activities expose it to a variety of financial risks, including interest rate risk, liquidity risk and credit risk. Details of these risks and the Company's policies for managing these risks are included below:

Interest rate risk

The Company's interest rate risk exposure arises from its external borrowings, which are charged at a variable rate of interest.

The Company manages interest rate risk by way of an interest swap arrangement which has fixed the variable rate interest on £350m at 31 December 2017. Since the year end the Company's external borrowings have reduced to £380m and the interest rate swap was amended to fix variable interest on £380m, which means that interest is now effectively fixed on the entire loan balance.

The following tables indicate financial assets and liabilities that are exposed to interest rate risk together with the corresponding applicable interest rates at 31 December 2017:

	2017 £ Total	2016 £ Total
Exposed to cash flow interest rate risk at 31 December:		
Bank loan (£420m total loan)	70,000,000	-
Secured loan	-	381,370,088

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2017

18. FINANCIAL INSTRUMENTS (continued)

	2017	2016
<i>Interest rate at 31 December:</i>	% Interest rate	% Interest rate
Bank loan (variable plus margin)	2.95%	-
Secured loan (including default interest)	-	12.50%

An increase or decrease in variable interest rates of 1%, would result in an increase or decrease of approximately £700,000 in the interest charge for the year (2016: £3,813,701).

Credit risk

The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with the approved appetite for the risk that tenants will be unable to meet their obligations to the Company.

Tenant credit risk is mitigated as rental payments are due on the first day of each rental quarter, and the tenant's rental commitments are supported by a guarantee provided by its controlling party, Marriott International Inc. The property lease can be terminated if rent becomes more than 14 days overdue, or if the guarantor fails to provide the agreed rental guarantee.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Company only deposits cash with well-established financial institutions of high quality credit standing.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company seeks to minimise liquidity risk on refinancing by borrowing for as long as possible and at the lowest acceptable cost. Efficient cash management, strict credit control and the Company's low-cost base minimise liquidity risk and ensure that funds are available to meet commitments as they fall due.

The fair value of derivative financial liabilities held by the Company at 31 December 2017 was £4,537,519 (2016: no derivative financial liabilities).

The table below analyses the Company's non-derivative financial liabilities on a contractual gross undiscounted cash flow basis into their relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2017

18. FINANCIAL INSTRUMENTS (Continued)

	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
At 31 December 2017				
Secured loan	-	-	-	414,871,317
Trade and other payables	105,875,415	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2016				
Secured loan	364,848,145	-	-	-
Eurobond loan note	-	-	-	130,319,293
Trade and other payables	54,343,822	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Capital management

The Company's capital is managed at group level as stated in note 22. At a Company level, capital is monitored using a gearing ratio which is calculated as net debt (bank borrowings and loan notes less cash and cash equivalents) over capital (equity attributable to owners of the Company) plus net debt.

	2017 £	2016 £
Eurobond loan note	-	130,319,293
Borrowings	414,871,317	364,848,145
Cash and cash equivalents	(20,881,815)	(46,217,003)
Net debt	<u>393,989,502</u>	<u>448,950,435</u>
Equity	135,079,146	62,722,945
Equity plus net debt	<u>529,068,648</u>	<u>511,673,380</u>
Gearing ratio	<u>74.5%</u>	<u>87.7%</u>

In view of the new financing arrangements put in place by the Company's new owners, and that capital is managed as part of the wider finance function, the Director considers that the Company's gearing ratio at 31 December 2017 was acceptable.

GHH HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
for the year ended 31 December 2017

19. SHARE CAPITAL	2017	2016
	£	£
Issued and fully paid:		
770,001 Ordinary shares of £1 each	770,001	770,001
	<hr/>	<hr/>

The ordinary shares, which carry no right to fixed income, each carry the right to vote at general meetings of the Company.

20. CONTINGENT LIABILITIES

At 31 December 2016 the Company had given guarantees in respect of the debt of its former group totalling US\$421,709,334. The cross-guarantees were fully discharged following the change of control and new financing arrangements put in place on 6 July 2017.

At 31 December 2017 the Company has given guarantees in respect of some of the indebtedness of its UK parent company, GH Equity UK Limited. At 31 December 2017 the amount outstanding subject to this guarantee was £168,070,251.

21. OPERATING LEASE COMMITMENTSCompany as a lessor

The Company has contracted with a tenant, under a non-cancellable operating lease arrangement for a term of 30 years, expiring on 30 January 2034. Rental income earned in the year under this agreement amounted to £28,130,397 (2016: £27,676,206). Rent is subject to annual inflationary increases, subject to the achievement of certain performance criteria by the tenant.

The Company has contracted with another tenant, under a non-cancellable operating lease arrangement expiring in the year 2104. Rental income earned in the year under this agreement amounted to £50,000 (2016: £50,000). The rental income is fixed until 2026 when fixed rent uplifts are applied.

22. CONTROL

The Company's immediate parent company is GHH Mezz II Limited, a company incorporated and registered in Jersey. The Company's ultimate UK holding company is GH Equity UK Limited, a company registered in England, which is the parent of the smallest and largest group to consolidate these financial statements. The Group's ultimate holding entity is 2013 Iconic Trust LLC, an entity registered in USA, and the ultimate controlling party is Ben Ashkenazy.

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2017

23. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended 31 December 2017, which were related by virtue of being under the common ownership of Aamby Valley Mauritius Limited, the former parent company:

	2017 Company £	2016 Company £
<i>(a) Purchases of goods and services</i>		
Purchases of goods and services from former related parties	-	1,967,473
	<u> </u>	<u> </u>
<i>(b) Goods and services paid on behalf of former group entities</i>		
Goods and services paid on behalf of former related parties	-	782,482
	<u> </u>	<u> </u>
<i>(c) Amounts owed by former related parties</i>		
Aamby Hospitality Services (UK) Limited	-	65,890
Aamby Valley (UK) Limited	-	12,360
Sahara Ambleside Limited	-	5,400
Sahara Hospitality Operations LLP	-	45,840
Sahara Hospitality Support Services Limited	-	750
Sahara Oakvale Limited	-	6,650
Sahara Riverpark Limited	-	11,100
Sahara US Corporation	-	1,601,935
Sahara Wharfside Limited	-	11,850
	<u> </u>	<u> </u>
	<u> </u>	<u>1,761,775</u>
<i>(d) Amounts owed to former related parties</i>		
Aamby Valley Mauritius Limited:		
- Eurobond loan note	-	130,319,293
- Other amounts owed	-	52,672,237
Aamby Hospitality Limited	-	31,874
	<u> </u>	<u> </u>
	<u> </u>	<u>183,023,404</u>

GHH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2017

23. RELATED PARTY TRANSACTIONS (Continued)

e) Amounts owed (to)/from current related parties (fellow group undertakings)

Reeves Lease Limited	6,365,415	6,128,113
GH Equity Limited	(101,935,755)	-

Interest accrues on amounts owed by Reeves Lease Limited and owed to GH Equity Limited at 3.8% and 7.3% respectively. Interest of £232,242 was charged to Reeves Lease Limited and interest of £15,226,188 was charged by GH Equity Limited in the year ended 31 December 2017 (2016: £nil). These loan balances are unsecured.

During the year, interest of £6,443,899 (2016: £16,544,146) was charged on transactions with the former parent company, Aamby Valley Mauritius Limited.

Other than as disclosed above, the related party payables and receivables accrued no interest and were unsecured. No guarantees were given in respect of these amounts.

An amount of £59,951,294 was credited to the Statement of Comprehensive Income in respect of the net effect of amounts owed to and from former group undertakings and related parties which were formally waived immediately prior to the change in the Company's ownership in July 2017.

24. POST BALANCE SHEET EVENTS

Subsequent to the year end, in February 2018, the Company's group entered into new financing arrangements, from which funds were lent on to the Company to allow a £40m repayment of its bank loan financing, reducing the Company's external borrowings to £380m.