

Company No: 04216917

**GHH HOLDINGS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2018**

THURSDAY



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**GHH HOLDINGS LIMITED**

**COMPANY INFORMATION**

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**DIRECTORS**

A L J Fernandes  
K Rhazali  
H A Al-Mulla

**COMPANY NUMBER**

04216917

**REGISTERED OFFICE**

Third Floor, One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

**AUDITOR**

RSM UK Audit LLP  
Chartered Accountants  
Third Floor, One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

**GHH HOLDINGS LIMITED**

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## GHH HOLDINGS LIMITED

### STRATEGIC REPORT

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The Directors present the Strategic Report of the Company (Company No: 04216917) for the year ended 31 December 2018.

#### BUSINESS REVIEW

The financial performance is presented in the statement of comprehensive income on page 9. The profit for the year was £57,424,289 (2017: £12,404,907), which includes the upwards revaluation of the investment property by £66,726,000 (2017: £74,250,000). At the end of the year, the statement of financial position showed total assets of £750,070,171 (2017: £676,824,865) and equity of £192,503,435 (2017: £135,079,146).

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.

Following a change of control on 6 November 2018, the Company's ultimate controlling party is now the Qatar Investment Authority.

In view of the group financing arrangements put in place by the new owners, the Directors consider it appropriate to prepare the financial statements on a going concern basis. Further detail of the funding arrangements are given in note 14 of the financial statements.

No dividends were paid during the year and the Directors do not recommend a dividend in respect of 2018 (2017: £Nil).

Rent receivable for the period amounted to £28,742,800 (2017: £28,180,397), and interest payable for the period amounted to £23,188,380 (2017: £48,505,980).

A valuation of the investment property was undertaken by an independent professional valuer as at 3 August 2018. 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 £717,400,000. It was previously valued at £650,000,000. The Directors' estimation of the valuation attributable to the Company's directly owned element of the investment property at 31 December 2018 was £710,226,000 (2017: £643,500,000).

#### KEY PERFORMANCE INDICATORS

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

	2018 £	2017 £
Investment property valuation	710,226,000	643,500,000
Rental income	28,742,800	28,180,397
Rental yield	4.0%	4.4%
Ratio of third party financing to property value	54%	64%

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

## **GHH HOLDINGS LIMITED**

### **STRATEGIC REPORT (Continued)**

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#### **FUTURE DEVELOPMENTS**

The Directors remains alert to good business opportunities within the sector, although no opportunities for new activities are currently being pursued.

#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*The Directors monitor potential areas of business risk and address the risks wherever possible.*

The Directors have assessed the key risks to the Company and consider 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 Directors are confident that there is no foreseeable risk to the Company's liquidity.

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 19.

##### Interest rate risk

At 31 December 2018 the Company is party to a variable rate loan of £380m (2017: £420m), however an interest rate swap is in place which fixes the interest rate on the entire loan amount of £380m.

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

##### 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.

##### 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 a specialist managing agent to ensure collection of rent takes place on time.

**GHH HOLDINGS LIMITED**

**STRATEGIC REPORT (Continued)**

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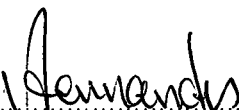
**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

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 17.

**ON BEHALF OF THE BOARD**

  
.....  
A L J Fernandes  
Director

Dated: 14 MARCH 2019

## **GHH HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

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The Directors present the Report and audited Financial Statements of the Company (Company No: 04216917) for the year ended 31 December 2018. The Company is incorporated as a limited Company and is domiciled in England, and is registered under the Companies Act 2006.

#### **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.

#### **DIRECTORS**

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

A L J Fernandes	(appointed 6 November 2018)
K Rhazali	(appointed 6 November 2018)
H A Al-Mulla	(appointed 6 November 2018)
B Matteson	(resigned 6 November 2018)

#### **RESULTS AND DIVIDENDS**

The result for the year is set out on page 9. No dividends were paid. The Directors do not recommend payment of a final dividend.

#### **SIGNIFICANT EVENTS**

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.

Following a change of control on 6 November 2018, the Company's ultimate controlling party is now the Qatar Investment Authority.

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 (2017: 30 days). The policy is to pay suppliers by the due date. The current trade creditors days are 14 days (2017: 9 days).

#### **AUDITOR**

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

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR**

The Directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**GHH HOLDINGS LIMITED**

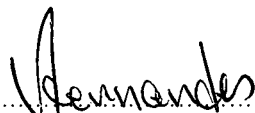
**DIRECTORS' REPORT (Continued)**

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**DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT**

Information regarding financial risk management and future developments 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**

  
.....  
A L J Fernandes  
Director  
Dated: 14 MARCH 2019



## **GHH HOLDINGS LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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The Directors are responsible for preparing the Strategic Report and the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Financial Statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the EU, subject to any material departures disclosed and explained in the Financial Statements; and
- d. prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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### Opinion

We have audited the financial statements of GHH Holdings Limited (the 'company') for the year ended 31 December 2018 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 2018 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 have been prepared in accordance with applicable legal requirements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GHH HOLDINGS LIMITED (Continued)**

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### **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.

### **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.

*RSM UK Audit LLP*

Jonathan Da Costa (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Third Floor, One London Square  
Cross Lanes  
Guildford  
Surrey, GU1 1UN  
16 March 2019

**GHH HOLDINGS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2018

	<b>Note</b>	<b>2018 £</b>	<b>2017 £</b>
Revenue	3	29,450,355	28,767,950
Administrative expenses	4	(1,291,342)	(1,575,766)
Increase in fair value of investment property	10	66,726,000	74,250,000
<b>Operating profit</b>		<b>94,885,013</b>	<b>101,442,184</b>
Fair value gain/(loss) on derivative financial instruments		3,118,270	(4,537,519)
Finance income	6	729,825	236,255
Finance costs – recurring	7	(24,040,586)	(31,739,919)
Finance costs – exceptional	7	(6,772,084)	(47,663,452)
<b>Profit before tax</b>	<b>4</b>	<b>67,920,438</b>	<b>17,737,549</b>
Income tax expense	9	(10,496,149)	(5,332,642)
<b>Profit and total comprehensive income for the year</b>		<b>57,424,289</b>	<b>12,404,907</b>

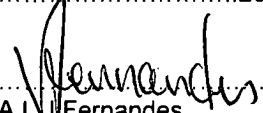
**GHH HOLDINGS LIMITED****STATEMENT OF FINANCIAL POSITION  
as at 31 December 2018**

Company No: 04216917

	<b>Note</b>	<b>2018 £</b>	<b>2017 £</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	10	710,226,000	643,500,000
Investments	11	1	1
		<u>710,226,001</u>	<u>643,500,001</u>
<b>Current assets</b>			
Trade and other receivables	12	27,479,009	11,968,692
Current tax receivable		756,121	474,357
Cash and cash equivalents		11,609,040	20,881,815
		<u>39,844,170</u>	<u>33,324,864</u>
<b>TOTAL ASSETS</b>		<u>750,070,171</u>	<u>676,824,865</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	770,001	770,001
Retained earnings		191,733,434	134,309,145
<b>TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>		<u>192,503,435</u>	<u>135,079,146</u>
<b>Non-current liabilities</b>			
Borrowings	14	375,794,342	414,871,317
Derivative financial instrument	15	1,419,249	4,537,519
Deferred tax liabilities	16	18,370,369	8,060,756
<b>Total non-current liabilities</b>		<u>395,583,960</u>	<u>427,469,592</u>
<b>Current liabilities</b>			
Trade and other payables	13	161,982,776	114,276,127
<b>Total current liabilities</b>		<u>161,982,776</u>	<u>114,276,127</u>
<b>TOTAL LIABILITIES</b>		<u>557,566,736</u>	<u>541,745,719</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>750,070,171</u>	<u>676,824,865</u>

The notes on pages 13 to 31 are an integral part of these financial statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 14 MARCH 2019 and are signed on its behalf by:

  
A L Fernandes  
Director

**GHH HOLDINGS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2018

	Share capital £	Retained earnings £	Total £
<b>Balance at 1 January 2017</b>	770,001	61,952,944	62,722,945
<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
<b>Balance at 31 December 2017</b>	<u>770,001</u>	<u>134,309,145</u>	<u>135,079,146</u>
<i>Changes in equity for 2018</i>			
Profit and total comprehensive income for the year	-	57,424,289	57,424,289
<b>Balance at 31 December 2018</b>	<u>770,001</u>	<u>191,733,434</u>	<u>192,503,435</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 2018

	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Profit for the year before tax	67,920,438	17,737,549
Finance income	(729,825)	(236,255)
Finance costs	30,812,670	79,403,371
Increase in fair value of investment property	(66,726,000)	(74,250,000)
Fair value (gain)/loss on derivative financial instruments	(3,118,270)	4,537,519
Operating cash flows before movements in working capital	<u>28,159,013</u>	<u>27,192,184</u>
Increase in trade and other receivables	(14,780,492)	(3,914,964)
Increase in trade and other payables	34,992,150	89,311,478
Cash generated from operations	<u>48,370,671</u>	<u>112,588,698</u>
Interest paid	(11,250,298)	(41,523,936)
Interest received	-	4,013
Net cash generated from operating activities	<u>37,120,373</u>	<u>71,068,775</u>
Income tax paid	(468,300)	(474,357)
<b>Cash flows from financing activities</b>		
Advance on secured loan borrowings	-	85,000,000
Repayment/(advance) on bank borrowings	(40,000,000)	420,000,000
Bank loan arrangement fees	(5,924,848)	(5,183,415)
Repayment of secured loan borrowings	-	(466,370,087)
Repayment of other borrowings	-	(129,376,104)
Net cash flow used in from financing activities	<u>(45,924,848)</u>	<u>(95,929,606)</u>
Net decrease in cash and cash equivalents	<u>(9,272,775)</u>	<u>(25,335,188)</u>
Cash and cash equivalents at beginning of the year	<u>20,881,815</u>	<u>46,217,003</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>11,609,040</u></u>	<u><u>20,881,815</u></u>

**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 2018

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#### 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 Third 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.

##### Adoption of new and revised Standards

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

IFRS 9 Financial Instruments  
IFRS 15 Revenue from Contracts with Customers  
Annual Improvements 2014-2016 cycle  
Transfers to Investment Property – Amendments to IAS 40

The amendments listed above did not have any impact on the amounts recognised in prior periods or the current period and are not expected to significantly affect future periods.

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	Mandatory application date
IFRS 16	Leases – Introduces a single lessee accounting model and eliminates the previous distinction between an operating and a finance lease.	1 January 2019

IFRS 16 replaces IAS 17 and its interpretations, and the biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Therefore there will be no impact on the Company's rental income. IFRS 16 will be adopted in the company's financial statements when it becomes mandatory.



## **GHH HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2018**

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#### **1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

For the Company's non-cancellable operating lease commitments of £2,550,000 as at 31 December 2018 (2017: £2,580,000) (note 20), preliminary assessments indicate that the lease arrangement will continue to meet the definition of a lease under IFRS 16. This will have an impact on the amounts recognised in the company's financial statements whereby the company will recognise a right-of-use asset and a corresponding liability in respect of this leases. The preliminary assessments have not yet identified the amount of the right-of-use asset and or corresponding lease liability which will be recognised, and neither has the net impact on the income statement of the reversal of the annual rent of £30,000 and the corresponding replacement with a depreciation charge and interest expense.

#### **Going concern**

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

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. This loan is not due for repayment until 2024.

The Company has received confirmation from its group undertakings that they will not seek repayment of the intragroup balances owed by the Company and that sufficient funds will be provided, 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 financing arrangements in place, and the confirmation of group support, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

#### **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. The financial statements of the Company are consolidated into the financial statements of GH Equity UK Limited and are available from Third Floor, One London Square, Cross Lanes, Guildford, Surrey, GU1 1UN.

#### **Foreign currency translation**

The functional and presentational currency of the Company is Sterling.

#### **Revenue recognition**

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a tenant and excludes amounts collected on behalf of third parties.

#### **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.

## **GHH HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **for the year ending 31 December 2018**

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#### **1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

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 in the income statement over the period of insurance, 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.

##### **Investments in subsidiaries**

Investments in subsidiaries are held at cost less accumulated impairment losses. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Impairment losses are recognised in the Statement of Comprehensive Income.

##### **Leases**

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. The leased asset is included in the Statement of Financial Position based on its nature.

##### **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 receivables are initially measured at their transaction price. Group and other receivables are initially measured at fair value plus transaction costs. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

## GHH HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ending 31 December 2018

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#### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

##### Financial instruments (Continued)

###### *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.

###### *Derivative financial instruments*

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, which include interest rate swaps. Further details of derivative financial instruments are disclosed in note 15. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

###### *Equity*

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

##### **Derecognition of financial assets (including write-offs) and financial liabilities**

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset it is derecognised ('written off'). The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

## **GHH HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **for the year ending 31 December 2018**

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#### **1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

##### **Impairment of financial assets**

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

##### *Trade receivables*

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

##### *Impairment of other receivables measured at amortised cost*

The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows. The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the company compares the risk of default at the year-end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost. The risk of a default occurring takes into consideration default events that are possible within 12 months of the year-end ("the 12-month expected credit losses") for 'performing' financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for 'underperforming' financial assets.

Impairment losses and any subsequent reversals of impairment losses, are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

##### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## GHH HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ending 31 December 2018

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#### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

##### Financial instruments measured in accordance with IAS 39

The following accounting policy applies to the impairment of financial instruments before 1 January 2018.

##### *Trade and other receivables under IAS 39*

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

##### Segmental reporting

The Directors consider 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.

##### 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 2018**

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**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. The inputs used in determining the fair value of the interest rate swap fall within Level 2 of the fair value hierarchy (note 17).

**GHH HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
for the year ending 31 December 2018

<b>3. REVENUE</b>	<b>2018 £</b>	<b>2017 £</b>
Rental income	28,742,800	28,180,397
Other property related income	707,555	587,553
	<u>29,450,355</u>	<u>28,767,950</u>

All rental income is generated from the investment property in the United Kingdom. Rental income consists of £28,692,800 and £50,000 (2017: £28,130,397 and £50,000) derived from two external tenants respectively.

<b>4. PROFIT BEFORE TAX</b>	<b>2018 £</b>	<b>2017 £</b>
The profit before taxation is stated after charging:		
Rentals under operating leases	30,000	31,041
Amounts payable to the auditor:		
- for audit services	35,000	30,000
- for tax compliance services	10,000	11,250
- for other non-audit services	197,500	66,205
Administrative expenses by nature:		
Property management, hotel management and insurance costs	806,392	670,996
Operating lease payments	30,000	31,041
Other expenses	454,950	873,729
	<u>1,291,342</u>	<u>1,575,766</u>

Included within administrative expenses are non-recurring costs in respect of non-audit services provided by related entities of the auditor totaling £54,250 incurred in relation to a financing and refinancing arrangement. (2017: other third party professional fees of £666,206 in relation to refinancing arrangements).

<b>5. TRANSACTIONS WITH SHAREHOLDERS</b>	<b>2018 £</b>	<b>2017 £</b>
Group loans waived	-	59,951,294
	<u>-</u>	<u>59,951,294</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 a change in the Company's ownership in July 2017.

**GHH HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ending 31 December 2018**

<b>6. FINANCE INCOME</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest receivable on group loan	729,825	232,242
Other interest receivable	-	4,013
	<u>729,825</u>	<u>236,255</u>
<b>7. FINANCE COSTS</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Bank charges	1,417	1,492
Interest payable on bank loan	13,463,620	1,137,066
Interest payable on Eurobond loan note	-	6,443,899
Interest payable on secured loan	-	8,876,542
Default interest payable on secured loan – exceptional	-	16,822,285
Interest payable on group loans	9,724,760	15,226,188
Refinancing transaction costs – amortisation	850,789	54,732
Refinancing transaction costs – exceptional	6,772,084	30,841,167
	<u>30,812,670</u>	<u>79,403,371</u>

Exceptional costs occur in the normal course of business but are disclosed in order for the financial statements to give a true and fair view due to their size. Included within exceptional refinancing transaction costs are previously capitalised un-amortised loan arrangement fees which have now been expensed of £4,500,267 (2017: £16,536,879) and other loan arrangement fees incurred in relation to the refinancing arrangements during the year totalling £2,151,817 (2017: £14,304,288). Exceptional refinancing costs in the prior period related to transaction costs on previous loans.

**8. EMPLOYEES AND DIRECTORS**

There were no employees during the year (2017: none) apart from the Directors. No remuneration or pension contributions were received by the Directors in respect of their services to the Company (2017: £Nil).



**GHH HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 31 December 2018**

<b>9. INCOME TAX</b>	<b>2018 £</b>	<b>2017 £</b>
<b>Current taxation</b>		
Tax charge for the year	186,536	-
Adjustments in respect of prior periods	-	-
<b>Deferred taxation (note 16)</b>		
Origination and reversal of temporary differences	13,126,583	5,332,642
Adjustments in respect of prior periods	(1,435,224)	-
Amount relating to change in tax rate	(1,381,746)	-
Deferred tax expense for the year	<u>10,309,613</u>	<u>5,332,642</u>
Total income tax charge	<u>10,496,149</u>	<u>5,332,642</u>

The actual tax charge differs from the expected tax charge computed by applying the UK corporation tax rate of 19% (2017: 19%) as follows:

	<b>2018 £</b>	<b>2017 £</b>
Profit before taxation	<u>67,920,438</u>	<u>17,737,549</u>
Profit before taxation, multiplied by standard rate of UK corporation tax of 19% (2017: 19%)	12,904,883	3,370,134
Effects of:		
Non-deductible items	31,558	3,093,776
Income not taxable	(13,279,284)	-
Effects of changes in rates and laws	(1,381,746)	(951,248)
Adjustment in respect of prior periods	(1,435,224)	-
Investment property revaluation and indexation	12,677,940	(5,852,983)
Transfer pricing adjustments	204,325	2,756,664
Losses surrendered to group	773,084	2,847,044
Other tax adjustments	613	69,255
	<u>(2,408,734)</u>	<u>1,962,508</u>
Total income tax expense	<u>10,496,149</u>	<u>5,332,642</u>

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. As the change has been substantively enacted at the reporting date, the deferred tax assets and liabilities reflect this rate.

The Company has estimated trading losses and management expenses of £69,719,165 (2017: £62,258,437) available to carry forward against future taxable profits.

**GHH HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
for the year ended 31 December 2018

<b>10. INVESTMENT PROPERTY</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Fair value:		
Opening balance for the year	643,500,000	569,250,000
Fair value adjustment	66,726,000	74,250,000
Closing balance for the year	<u>710,226,000</u>	<u>643,500,000</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 August 2018. 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 £717,400,000. It was previously valued at £650,000,000. The Directors' estimation of the valuation attributable to the Company's directly owned element of the investment property at 31 December 2018 was £710,226,000 (2017: £643,500,000) which represents their best estimate of the investment property's fair value at 31 December 2018.

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, including the reversionary lease up to 2052, discounted at a rate of 6%. The valuation is based on a 4% yield on its anticipated 2018 performance. The only fixed charges considered to arrive at the opinion of value are nonoperating expenses such as property taxes, and property insurance. 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 £28,742,800 (2017: £28,180,397).

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.

**GHH HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
for the year ended 31 December 2018

**11. INVESTMENTS**

Shares in group  
undertakings  
£

Investments in subsidiaries:

At 1 January 2018 and 31 December 2018 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: Third Floor, One London square, Cross Lanes, Guildford, Surrey, GU1 1UN</i>			

**12. TRADE AND OTHER RECEIVABLES**

	2018 £	2017 £
Trade receivables	-	37,574
Group receivables	27,455,840	7,904,967
Prepayments and accrued income	23,169	19,325
Other receivables	-	4,006,826
	<u>27,479,009</u>	<u>11,968,692</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 2018 no trade receivables were past due or impaired (2017: £Nil).

**13. TRADE AND OTHER PAYABLES**

	2018 £	2017 £
Trade payables	49,110	39,563
Group payables	150,238,243	101,935,755
Accruals and deferred income	10,475,425	11,104,513
Other payables	1,219,998	1,196,296
	<u>161,982,776</u>	<u>114,276,127</u>

The group payables are unsecured and repayable on demand. Interest accrues at rates of 7.3% and 6.3% (2017: 7.3%).

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

**GHH HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
for the year ended 31 December 2018

**14. BORROWINGS – NON-CURRENT**

	2018 £	2017 £
Bank loans	375,794,342	414,871,317

At 31 December 2017 the Company held a £420m bank loan facility agreement. In February 2018, fellow group companies entered into new financing arrangements, from which funds were lent on to the Company to allow a £40m repayment of its bank loan facility, reducing the Company's external borrowings to £380m. The loan is secured with fixed and floating charges over the assets of the Company and of fellow group companies. The loan is repayable in December 2024, and interest is payable quarterly in arrears at a margin of 2.08% over 3 month LIBOR.

The bank loan was initially recognised at fair value, net of transaction costs of £5,183,415. These transactions costs, as well as other transaction costs of £1,429,348 incurred in 2018, were taken to profit and loss in accordance with IFRS 9.3.3.2 'Modification of a financial liability' following the change in control of the group on 6 November 2018. At 31 December 2018 the loan is stated net of transaction costs incurred in November 2018 of £4,205,658.

The Company has entered into an interest rate swap which fixes the variable element of the interest on the entire loan amount of £380m at 1.373% (2017: variable interest fixed on £350m at 1.352%).

Reconciliation of liabilities arising from financing activities:

Group	31 December 2017 £	Cash flows £	Non-cash changes £	31 December 2018 £
Bank loan	414,871,317	(45,804,848)	6,727,873	375,794,342

**15. DERIVATIVE FINANCIAL INSTRUMENTS**

	2018 £	2017 £
Interest rate swap	1,419,249	4,537,519

The fair value of the interest rate swap at 31 December 2018 represents the conversion of £380m of variable rate borrowings to a fixed rate exposure of 1.373% ending in December 2024 (2017: £350m fixed at 1.352%).

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 2018

**16. DEFERRED TAX LIABILITIES**

Provision for deferred taxation has been made as follows:

	Chargeable gains £	Accumulated tax losses £	Accelerated depreciation £	Total £
At 1 January 2017	1,480,834	(6,792,245)	8,039,525	2,728,114
Charge/(credit) to statement of comprehensive income	9,074,769	(3,791,689)	49,562	5,332,642
At 31 December 2017	10,555,603	(10,583,934)	8,089,087	8,060,756
Charge/(credit) to statement of comprehensive income	11,343,420	(1,268,324)	234,517	10,309,613
At 31 December 2018	21,899,023	(11,852,258)	8,323,604	18,370,369

**17. FINANCIAL INSTRUMENTS**

The totals for each category of financial instrument, measured in accordance with IFRS 9 as detailed in the accounting policies, are as follows:

**Loans and receivables**

	2018 £	2017 £
<b>Current assets</b>		
Trade and other receivables	27,456,346	11,949,950
Cash and cash equivalents	11,609,040	20,881,815
Total financial assets	39,065,386	32,831,765

**Other liabilities held at amortised cost**

	2018 £	2017 £
<b>Current liabilities</b>		
Trade and other payables	153,410,977	105,875,415
<b>Non-current liabilities</b>		
Loans and borrowings	375,794,342	414,871,317
Total financial liabilities	529,205,319	520,746,732

**GHH HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 31 December 2018**

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**17. FINANCIAL INSTRUMENTS (continued)**

**Financial instruments measured at fair value**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest rate swap	(1,419,249)	(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 Directors consider the book value of all financial instruments to equate to their fair value.

The Directors monitor the Company's financial risk management policies and exposure and approve financial transactions. The Directors' 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 effectively fixed the variable rate interest at 1.373% on the entire £380m loan as at 31 December 2018.

**GHH HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 31 December 2018**

**17. FINANCIAL INSTRUMENTS (continued)**

*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 2018 was £1,419,249 (2017: £4,537,519).

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.

	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
<b>At 31 December 2018</b>				
Secured loan	-	-	-	375,794,342
Trade and other payables	153,410,977	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>				
Secured loan	-	-	-	414,871,317
Trade and other payables	105,875,415	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

**GHH HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 31 December 2018****17. FINANCIAL INSTRUMENTS (Continued)**Capital management

The Company's capital is managed at group level. 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.

	2018 £	2017 £
Borrowings	375,794,342	414,871,317
Cash and cash equivalents	(11,609,040)	(20,881,815)
Net debt	<u>364,185,302</u>	<u>393,989,502</u>
Equity	192,503,435	135,079,146
Equity plus net debt	<u>556,688,737</u>	<u>529,068,648</u>
Gearing ratio	<u>65.4%</u>	<u>74.5%</u>

In view of the financing arrangements in place, and that capital is managed as part of the wider finance function, the Directors consider that the Company's gearing ratio at 31 December 2018 was acceptable.

**18. SHARE CAPITAL**

	2018 £	2017 £
Issued and fully paid:		
770,001 Ordinary shares of £1 each	<u>770,001</u>	<u>770,001</u>

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

**19. CONTINGENT LIABILITIES**

At 31 December 2017 the Company had provided guarantees in respect of some of the indebtedness of its UK parent company, GH Equity UK Limited. During the year, this debt was repaid and a new guarantee was provided in respect of a finance facility taken out by a fellow group entity, GHH Mezz I Limited. At 31 December 2018 the amount outstanding subject to guarantee was £55,000,000 (2017: £168,070,251).



## GHH HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2018

#### 20. OPERATING LEASE COMMITMENTS

##### Company as a lessee

The Company holds the long leasehold on its investment property, Grosvenor House Hotel, Park Lane, London, which expires in 2104, and on which the Company pays head rent of £30,000 per annum.

The future aggregate minimum lease payments under this operating lease at 31 December, are as follows:

	2018 £	2017 £
Less than one year	30,000	30,000
Between one and five years	120,000	120,000
After five years	2,400,000	2,430,000
	<u>2,550,000</u>	<u>2,580,000</u>

##### Company 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, with a reversionary lease extension to 30 January 2052 under the same terms. Rental income earned in the year under this agreement amounted to £28,692,800 (2017: £28,130,397). 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 (2017: £50,000). The rental income is fixed until 2026 when fixed rent uplifts are applied.

#### 21. 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 group to consolidate these financial statements. The parent of the largest group to consolidate these financial statements is Katara Hospitality Limited, a company incorporated in Qatar. Following a change of control on 6 November 2018, the Company's ultimate controlling party is the Qatar Investment Authority.

## GHH HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2018

#### 22. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended 31 December 2018, which were related by virtue of being under common ownership:

	2018 £	2017 £
Amounts owed (to)/from related parties (fellow group undertakings)		
Reeves Lease Limited	6,365,416	6,365,415
GH Equity Limited	(101,279,794)	(101,935,755)
GHH Mezz II Limited	(39,963,512)	-
GHH Mezz I Limited	957,651	-
GH Equity UK Limited	20,132,773	-

Interest accrues on amounts owed by Reeves Lease Limited and owed to GH Equity Limited at 3.43% and 7.3% (2017: 3.8% and 7.3%) respectively. Interest of £221,237 (2017: £232,242) was charged to Reeves Lease Limited and interest of £7,413,061 (2017: £15,226,188) was charged by GH Equity Limited in the year ended 31 December 2018. These loan balances are unsecured and repayable on demand.

Interest accrues on amounts owed by GHH Mezz I limited and owed to GHH Mezz II Limited at 6.25% and 6.3% respectively. Interest of £7,416 was charged to GHH Mezz I Limited and interest of £2,304,283 was charged by GHH Mezz II Limited in the year ended 31 December 2018. These loan balances are unsecured and repayable on demand.

Interest accrues on amounts owed by GH Equity UK Limited at 3.43%, which amounted to £508,586 for the year ended 31 December 2018. This balance is unsecured and repayable on demand.

During the year, interest of £Nil (2017: £6,443,899) was charged on transactions with a 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 £Nil (2017: £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 a change in the Company's ownership in July 2017.