**Grace Hotels (UK) Limited**

**Financial statements**

**For the year ended 31st December 2018**

*Registered number: 08290291*

**Grace Hotels (UK) Limited**

**Directors**

C.M. Logothetis (resigned 10 January 2018)
N. Mortimer (resigned 10 January 2018 and reappointed 10 June 2019)
R.A. Swade (appointed 10 January 2018 and resigned 24 August 2018)
P.S. Chrousos (appointed 10 January 2018)

**Registered number**

08290291

**Registered office**

13-14 Hobart Place
London
SW1W 0HH

**Independent auditors**

BDO LLP
Chartered Accountants
150 Aldersgate Street
London
EC1A 4AB

**Grace Hotels (UK) Limited**

**Report of the directors**

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

**Principal activities and review of the business**

The principal activity of the Company is to provide hospitality research, marketing and advisory services to its parent company and fellow subsidiaries. During the year, the controlling interests in the hospitality asset owning entities - for which the Company primarily provided its services - were sold by the wider Libra Group. Following the disposal, the Company provided interim services to the new controlling party of the hospitality asset owners. The directors are currently in process of strategically repositioning the Company within the Libra Group.

**Results and dividends**

The loss for the financial year amounted to £3,187,976 (2017: Profit £127,333) and has been transferred to reserves.

The directors do not recommend the payment of a dividend.

**Principal risks and uncertainties**

*The Company's operations expose it to varying levels of financial risk. The policies set out by the board are implemented by the* accounting department. See further details in note 13.

The ability of the Company to continue as a going concern is dependent upon the continued support from its immediate holding company. Arabella Group Limited has undertaken to provide support to enable the Company to meet its obligations as they fall due. As such, the financial statements have been prepared on a going concern basis.

**Auditors**

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the director has appointed BDO LLP as auditor in their place.

**Directors' representation**

Each of the persons who are directors at the time when this report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

**Small companies exemption**

This report has been prepared in accordance with the small companies regime of the Companies Act 2006.

By order of the Board on 30th August 2019

N.A. Mortimer
Director

**Grace Hotels (UK) Limited**

**Statement of directors' responsibilities**
For the year ended 31st December 2018

The directors are responsible for preparing 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 and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- 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 auditors' report to the members of Grace Hotels (UK) Limited**

We have audited the financial statements of Grace Hotels (UK) Limited (the 'company') for the year ended 31st December 2018 which comprise of the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement 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 31st December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**Independent auditors' report to the members of Grace Hotels (UK) Limited continued ...**

**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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the companies' exemption in preparing the Report if the Directors and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

**Responsibilities of directors**

As explained more fully in the Statement of directors' responsibilities set out on page 3, 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 Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Independent auditors' report to the members of Grace Hotels (UK) Limited continued ...**

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with our terms of engagement. 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.

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Daniel Henwood, *Senior Statutory Auditor*
For and on behalf of:
BDO LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Date: 30 August 2019

**Grace Hotels (UK) Limited**

**Statement of comprehensive income**
For the year ended 31st December 2018
*Expressed in Pounds sterling*

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Revenue** | 3.3 | **72,435** | 3,417,067 |
| Operating expenses: | | | |
| - Depreciation | 9 | **(53,498)** | (57,544) |
| - Administrative expenses | | **(2,751,931)** | (3,196,801) |
| - Other operating income | | **9,204** | - |
| **Operating (loss)/profit** | 4 | **(2,723,790)** | 162,722 |
| Impairment | 10 | **(402,697)** | - |
| Loss on sale of non-current assets | | **(75,320)** | - |
| Finance cost | 6 | **(537)** | (1,942) |
| **(Loss)/Profit before taxation** | | **(3,202,344)** | 160,780 |
| Taxation | 7 | **14,368** | (33,447) |
| **(Loss)/Profit after taxation and total comprehensive income for the year** | | **(3,187,976)** | 127,333 |

There are no items of other comprehensive income

Grace Hotels (UK) Limited

**Balance sheet**
As at 31st December 2018
*Expressed in Pounds sterling*

| | Note | **31st December 2018** | 31st December 2017 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible asset | 8 | **-** | 6,191 |
| Property, plant and equipment | 9 | **-** | 199,195 |
| Investment in subsidiaries | 10 | **87,961** | 1 |
| | | **87,961** | 205,387 |
| **Current assets** | | | |
| Trade and other receivables | 11 | **1,021,519** | 987,577 |
| Cash and cash equivalents | | **17,750** | 3,541 |
| | | **1,039,269** | 991,118 |
| **Total assets** | | **1,127,230** | 1,196,505 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **4,025,587** | 906,886 |
| **Total liabilities** | | **4,025,587** | 906,886 |
| **Shareholder's equity** | | | |
| Share capital | 14 | **1** | 1 |
| (Accumulated losses)/Retained earnings | | **(2,898,358)** | 289,618 |
| **Total equity** | | **(2,898,357)** | 289,619 |
| **Total liabilities and equity** | | **1,127,230** | 1,196,505 |

Signed on behalf of the Board on 30th August 2019

N.A. Mortimer
Director

**Grace Hotels (UK) Limited**

**Statement of changes in equity**
For the year ended 31st December 2018
*Expressed in Pounds sterling*

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| At 1st January 2017 | 1 | 162,285 | 162,286 |
| Total comprehensive income | - | 127,333 | 127,333 |
| At 31st December 2017 | 1 | 289,618 | 289,619 |
| **Total comprehensive expense** | **-** | **(3,187,976)** | **(3,187,976)** |
| **At 31st December 2018** | **1** | **(2,898,358)** | **(2,898,357)** |

**Grace Hotels (UK) Limited**

**Cash flow statement**
For the year ended 31st December 2018
*Expressed in Pounds sterling*

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/Profit before taxation | | **(3,202,344)** | 160,780 |
| Depreciation | 9 | **53,498** | 57,544 |
| Investment in subsidiaries impairment | | **402,697** | - |
| Net loss on disposal of non-current asset | | **75,320** | - |
| Net loss on disposal of intangible assets | | **6,191** | - |
| Finance cost | 6 | **537** | 1,942 |
| Changes in: | | | |
| - Trade and other receivables | | **(33,942)** | (647,654) |
| - Trade and other payables | | **3,143,069** | 616,251 |
| | | **445,026** | 188,863 |
| Tax paid | | **(10,000)** | (2,945) |
| **Cash (outflow)/ inflow from operating activities** | | **435,026** | 185,918 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 9 | **(6,518)** | (184,252) |
| Disposal of property, plant and equipment | 9 | **76,895** | - |
| Purchase of intangible asset | 8 | **-** | (81) |
| Investment in subsidiary | 10 | **(490,657)** | (1) |
| **Cash outflow from investing activities** | | **(420,280)** | (184,334) |
| **Financing activities** | | | |
| Interest paid | | **(537)** | (1,942) |
| **Cash outflow from financing activities** | | **(537)** | (1,942) |
| **Net change in cash and cash equivalents** | | **14,209** | (358) |
| Cash and cash equivalents at start of the year | | **3,541** | 3,899 |
| **Cash and cash equivalents at end of the year** | | **17,750** | 3,541 |

**Grace Hotels (UK) Limited**

**Notes to the financial statements**
31st December 2018

## 1. Basis of preparation of financial statements

Grace Hotels (UK) Limited is a limited liability company incorporated on 12th Nov 2012 and domiciled in England and Wales. Its registered office is situated at 13-14 Hobart Place, London, SW1W 0HH.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared on the going concern basis. This contemplates the realisation of assets and liabilities in the ordinary course of business. The Company's intermediate holding company, Arabella Group Limited, has agreed to provide financial support to enable the Company to meet its future liabilities as they fall due.

The Company has taken the small group exemption per the Companies Act for not to prepare consolidated financial statements.

## 2. Recent accounting pronouncements

2.1. New interpretations and revised standards effective for the year ended 31st December 2018

The Company has adopted the new interpretations and revised standards effective for the year ended 31st December 2018. The adoption of these interpretations and revised standards do not have an impact on the disclosures and presentation of the financial statements.

*IFRS 9 Financial Instruments*
The standard makes substantial changes to the measurement of financial assets and financial liabilities. There are now only three categories of financial assets, whereby financial assets are measured at either fair value through profit or loss, fair value through other comprehensive income or at amortised cost. On adoption of the standard, the Company re-termed "Loans and receivables" to "Financial assets at amortised cost"; however, no reclassifications or changes to the accounting method were required.

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments are recognised on an expected loss basis, as opposed to the previous incurred loss approach. As such, where there are expected to be credit losses these are recognised in profit or loss. For financial assets measured at amortised cost, the carrying amount of the asset is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial assets. Given the heterogeneity and nature of the group's trading partners, determination of whether, or not, there had been significant increases in the credit risk of each financial asset since the date of inception was unfeasible. As such, and as permitted by the transitional provisions of IFRS 9 *Financial Instruments*, any loss allowances required have been accounted for on a lifetime expected basis as at 31st December 2018.

*IFRS 15 Revenue from Contracts with Customers*
The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognising revenue:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price;
5. Recognise revenue when a performance obligation is satisfied.

In applying the standard there has been a significant increase in disclosure in relation to the nature, amount, timing and uncertainty of revenue, balances and cash flows arising from contracts with customers. The application of the standard did not however have any impact on the financial results and position reported in the primary financial statements.

**2. Recent accounting pronouncements continued...**

2.2 Standards and interpretations in issue but not yet effective

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31st December 2018. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

*IFRS 16 Leases*
The standard makes substantial changes to the recognition and measurement of leases by lessees. On adoption of the standard, lessees, with certain exceptions for short term or low value leases, will be required to recognise all leased assets on their balance sheet as 'right-of-use assets' with a corresponding lease liability. The requirements for lessors are substantially unchanged.

On application of the standard the disclosures are likely to increase for both lessors and lessees. The standard includes principles on disclosing the nature, amount, timing and variability of lease payments and cash flows, by providing qualitative and quantitative information.

The Company is in the process of evaluating the full extent of the impact that the standard will have on its financial statements and the transitional provisions that may be utilised. The Company acts solely as a lessee and has no significant operating leases. As such, management do not anticipate that the adoption of the standard will have a significant impact on the financial statements.

The standard is effective for periods beginning on or after 1st January 2019.

**3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented.

3.1. Foreign currencies

The functional and presentational currency is the Pound sterling as it is the currency of the economic environment in which the Company predominantly operates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Revenues, costs and non-monetary assets and liabilities are translated at the exchange rates ruling at the dates of transactions. Foreign exchange gains and losses are included in the profit or loss.

3.2. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

3.3. Revenue

Revenue represents consultancy fees, exclusive of value added tax and is recognised on an accrual basis as the service is rendered.

**3. Summary of significant accounting policies continued...**

3.4. Income tax

Current tax is provided for at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax is not provided when the amounts involved are not significant.

3.5. Intangible assets

Intangible assets are recognised at cost, less any amortisation and any impairment loss. Web domains are not amortised as they are deemed to have an indefinite useful economic life.

Intangible assets are de-recognised on disposal or when no future economic benefit are expected from its use. Gains or losses arising on de-recognition are recognised in profit or loss as they arise.

3.6. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The charge for depreciation is calculated to write down the cost of the assets on a straight-line basis over their expected useful life as follows:

| | |
|---|---|
| Fixtures and fittings: | 3 years |
| Office equipment: | 3 - 4 years. |

3.7. Impairment of assets

Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

Fair value is assessed by the directors and reflects the underlying economic value of the assets in normal market conditions, with a willing buyer and seller and assumes adequate time for sale.

3.8. Investment in subsidiaries

Investment in subsidiaries are stated at cost less any provision for impairment.

3.9. Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for any credit losses expected over the lifetime of the asset. The Company reviews the ageing and credit risk of receivables regularly.

**3. Summary of significant accounting policies continued...**

3.10. Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and deposits maturing within three months of the date of deposit.

3.11. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

3.12. Financial instruments

Financial assets and liabilities are initially recognised on the balance sheet at fair value when the Company has become party to the contractual provisions of the instruments.

All financial assets are categorised as financial assets held at amortised cost. Such assets are subsequently carried at amortised cost using the effective interest rate method if the time money may have a significant impact on their value, less allowances for any expected lifetime credit losses.

The Company assesses at the balance sheet date whether there is objective evidence that there has been an increase in the credit risk of its financial assets. The Company uses criteria such as significant financial difficulty of the counterparty, the disappearance of an active market for that financial asset because of financial difficulties and breaches of contract as objective evidence.

Financial liabilities are subsequently measured at amortised cost using the effective interest method at market rates.

3.13. Significant accounting judgements

In the process of applying the Company's accounting policies, the directors have made the following accounting judgements which have the most significant effect on the amounts recognised in the financial statements.

*Leases*

Accounting for leases is mainly determined by the judgement of whether the lease is considered to be a finance lease or an operating lease. Management look to the substance of the transaction and the terms and conditions of the leasing arrangements in judging whether all the risks and rewards of ownership are transferred.

3.14. Significant accounting estimates

*Asset impairment testing*

The Company reviews its non-current assets for impairment at each balance sheet date. If events or circumstances indicate that the carrying value may not be recoverable, the recoverable value is determined based on value in use calculations which require estimates to be made of future cash flows.

Grace Hotels (UK) Limited

**Notes to the financial statements**
31st December 2018

## 4. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Depreciation: owned assets | (53,498) | 57,544 |
| Impairment of Investments | (402,697) | - |
| Auditors' remuneration (audit work) | 7,750 | 7,030 |
| Auditors' remuneration (tax work) | 5,000 | 36,289 |

All turnover is attributable to markets outside in the United Kingdom.

## 5. Employee benefit expense

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 1,519,463 | 1,330,895 |
| Social security costs | 188,486 | 161,869 |
| | 1,707,949 | 1,492,764 |

The average number of employees in a management and administrative capacity was 14 (2017: 12).

## 6. Finance costs

| | 31st December 2018 | 31st December 2017 |
|---|---|---|
| | £ | £ |
| Interest payable on bank overdraft | 18 | 400 |
| Other interest and finance charges | 519 | 1,542 |
| | 537 | 1,942 |

## 7. Taxation

Current tax

A reconciliation of the expected charge to the actual tax charge is as follows:

| | 31st December 2018 | 31st December 2017 |
|---|---|---|
| | £ | £ |
| (Loss)/Profit before tax | (3,202,344) | 160,780 |
| Taxation at applicable rates (19%/19.25%) | 608,445 | (30,950) |
| Accelerated capital allowances | 6,518 | 26,638 |
| Expenses not allowable for tax | (70,259) | (29,080) |
| Tax losses carried forward/(utilised) | - | |
| Tax losses not recognised | (544,704) | - |
| Prior year over/(under) provision | 14,368 | (55) |
| Taxation credit/(charge) | 14,368 | (33,447) |

## 8. Intangible Asset

| | 31st December 2018 | 31st December 2017 |
|---|---|---|
| | **£** | £ |
| **Cost and Net Book Value** | | |
| At 1st January | **6,191** | 6,110 |
| Additions | **-** | 81 |
| Disposals | **(6,191)** | - |
| **At 31st December** | **-** | 6,191 |

## 9. Property, plant and equipment

| | Fixtures and fittings | Office equipment | Total |
|---|---|---|---|
| | **£** | **£** | **£** |
| **Cost** | | | |
| At 1st January 2017 | 109,512 | 31,819 | 141,331 |
| Additions | 69,233 | 115,019 | 184,252 |
| At 31st December 2017 | 178,745 | 146,838 | 325,583 |
| **Additions** | **1,055** | **5,463** | **6,518** |
| **Disposals** | **(179,800)** | **(152,301)** | **(332,101)** |
| **At 31st December 2018** | **-** | **-** | **-** |
| **Accumulated depreciation** | | | |
| At 1st January 2017 | (63,069) | (5,775) | (68,844) |
| Charge for the year | (43,100) | (14,444) | (57,544) |
| At 31st December 2017 | (106,169) | (20,219) | (126,388) |
| **Charge for the year** | **(29,405)** | **(24,093)** | **(53,498)** |
| **Disposals** | **135,574** | **44,312** | **179,886** |
| **At 31st December 2018** | **-** | **-** | **-** |
| **Net book value** | | | |
| **At 31st December 2018** | **-** | **-** | **-** |
| At 31st December 2017 | 72,576 | 126,619 | 199,195 |

## 10. Investment in subsidiaries

| Company name | Country of incorporation | Principal activity | Percentage of ordinary share capital held |
|---|---|---|---|
| Grace Hotels Group Limited | United Kingdom | Dormant | 100% |
| Grace Hotels (Greece) Hotel Management Services SA | Greece | Management services | 100% |
| Grace Americas Inc. | United States | Management services | 100% |

| | 2018 £ | 2017 £ |
|---|---|---|
| Cost and net book value at 1st January | 1 | - |
| Additions | 490,657 | 1 |
| Impairment | (402,697) | |
| Cost and net book value at 31st December | 87,961 | 1 |

## 11. Trade and other receivables

| | 31st December 2018 £ | 31st December 2017 £ |
|---|---|---|
| Prepayments | 1,570 | 26,399 |
| Amounts due from parent company | - | 781,596 |
| Amounts due from the fellow subsidiaries | 938,326 | 83,321 |
| Other receivables | 81,623 | 96,261 |
| | 1,021,519 | 987,577 |

The amounts due from the parent company and fellow subsidiaries are unsecured, interest free and repayable on demand.

## 12.. Trade and other payables

| | 31st December 2018 £ | 31st December 2017 £ |
|---|---|---|
| Trade payables | 203,686 | 510,372 |
| Other payables | 2,175 | - |
| Accruals | 104,696 | 162,247 |
| Amounts due to immediate parent | 3,619,164 | - |
| Amounts due to fellow subsidiaries | 10,781 | 109,717 |
| Other taxation and social security | 51,693 | 66,790 |
| Corporation tax | 33,392 | 57,760 |
| | 4,025,587 | 906,886 |

The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

## 13. Risk and financial instruments

The Company's key financial risks arising from its operating activities and its financial instruments are:

- Credit risk;
- Liquidity risk; and
- Market risk (including interest rate risk and currency risk).

The key management of the Company have overall responsibility for the establishment and oversight of the risk management framework.

*Categories of financial instruments:*

| | **2018** | **Fair value** | 2017 | Fair value |
|---|---|---|---|---|
| | **£** | **£** | £ | £ |
| Financial assets | | | | |
| At amortised cost (Loans and receivables): | | | | |
| - Trade and other receivables | **1,019,949** | **1,019,949** | 961,178 | 961,178 |
| - Cash and cash equivalents | **17,750** | **17,750** | 3,541 | 3,541 |
| | **1,037,699** | **1,037,699** | 964,719 | 964,719 |

| | **2018** | **Fair value** | 2017 | Fair value |
|---|---|---|---|---|
| | **£** | **£** | £ | £ |
| Financial liabilities | | | | |
| At amortised cost: | | | | |
| - Trade and other payables | **4,025,587** | **4,025,587** | 894,050 | 894,050 |

The fair value of financial assets and liabilities have been determined by management, based on the present value of the expected cash flows deriving from the asset or liability, discounted at an appropriate discount rate. In the director's opinion the fair value of all financial assets and liabilities approximate their carrying values.

There are no financial assets or liabilities measured at fair value in the balance sheet.

### 13.1. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

At 31st December 2018, concentration of credit risk exists to the extent that 92% (2017: 87%) of trade and other receivables are due from parent company and fellow subsidiaries.

### 13.2. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The liquidity risk relates to trade and other payables with a carrying value amounting to £4,025,587 (2017: £884,489) all falling due within one year. The Company aims to mitigate liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's immediate holding company, Arabella Group Limited, has agreed to provide financial support to enable the Company to meet its future liabilities as they fall due.

**13. Risk and financial instruments continued ...**

13.3. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

The Company has no significant assets or liabilities denominated in currencies other than the GBP and was therefore not exposed to currency risk at the balance sheet date.

*Interest rate risk*

Cash balances are subject to floating interest rates. However, interest is received monthly and the Company's exposure to the movement in floating interest rates is not significant. The Company does not hold any other interest bearing financial assets or liabilities.

13.4. Capital management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Company reviews and monitors its capital structure on a regular basis to ensure its objectives are met. The Company's overall strategy remains unchanged from 2017.

The capital structure of the Company consists of all components of equity aggregating to net liabilities of £2,898,357 (2017: net assets of £302,455).

**14. Share capital**

| | **31st December 2018 £** | 31st December 2017 £ |
|---|---|---|
| Authorised, issued and fully paid | | |
| 1 ordinary share of £1 each | 1 | 1 |

**15. Parent company and ultimate controlling undertaking**

The Company is a wholly owned subsidiary undertaking of Arabella Group Limited, a company incorporated in the British Virgin Island. The smallest group in which the results of the Company are consolidated is that headed by Arabella Group Limited, a company incorporated in the British Virgin Island.

In the opinion of the directors, the ultimate controlling undertaking of the Company is Libra Holdings Limited, of Bermuda, wholly owned under an overseas family discretionary settlement, the beneficiaries of which include the family of G.S. Logothetis.

**16. Related party transactions**

The Company charged consultancy fees of £Nil (2017: £3,348,753) to the parent company and £72,435 (2017: £68,314) to fellow subsidiaries.

The Company was charged rent of £57,769 (2017: £64,887) by fellow subsidiary.