

Company No: 10816508

GH EQUITY UK LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022



GH EQUITY UK LIMITED

COMPANY INFORMATION

DIRECTORS

M Al Asmakh
K Priyadarshi
D Z Eskenazi
I A Gray

COMPANY NUMBER

10816508

REGISTERED OFFICE

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

AUDITOR

Deloitte LLP
Regency Court
Glategny Esplanade
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GY1 3HW

GH EQUITY UK LIMITED

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GH EQUITY UK LIMITED

STRATEGIC REPORT

The Directors present the Strategic Report of the Group and Company (Company No: 10816508) for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of GH Equity UK Limited (the 'Company') is that of a holding company. The principal activity of the Company and its subsidiaries (the 'Group') is that of property investment. The investment property comprises the Group's long leasehold interest in the Grosvenor House Hotel, Park Lane, London.

BUSINESS REVIEW

These financial statements cover the year ended 31 December 2022.

The financial performance is presented in the consolidated statement of comprehensive income on page 11. The profit for the year was £20,246,332 (2021: £3,107,861), which includes the upward revaluation of the investment property by £4,100,000 (2021: £13,200,000) and a book gain of £25,920,709 arising on fair value of the derivative financial instrument 'swap' contract (2021: £15,918,515). At the end of the year the consolidated statement of financial position showed total assets of £762,928,224 (2021: £727,114,637) and equity of £117,165,039 (2021: £96,918,707). The increase in operating profit in the current year is due to an increase in rental income; rent is linked to certain performance criteria of the tenant which were negatively impacted in prior periods by the forced hotel closure and reduced occupancy as a result of the COVID-19 pandemic. The upward property valuation reflects a continued return towards a more normally functioning property market as at the year end date.

Rent receivable for the year amounted to £22,706,660 (2021: £6,297,124), and interest payable on loans for the year amounted to £28,437,997 (2021: £25,292,558).

The Group's external borrowings amount to £435m (2021: £435m), whilst the Group loan outstanding at 31 December 2022 was £142m (2021: £142m).

In view of the Group's long term financing arrangements, the Directors consider it appropriate to prepare the financial statements on a going concern basis. Further detail of the funding arrangements is given in note 13 of the financial statements.

No dividends were paid during the year and the Directors do not recommend a dividend in respect of 2022 (2021: £Nil).

A valuation of the investment property was undertaken by an independent professional valuer as at 31 December 2022. The leasehold property was valued on an open market basis at that date at £706m and the Directors have attributed this valuation as the fair value of the investment property at 31 December 2022.

The increase in rental income during the year shows a continued return to pre-pandemic rental income levels. This, combined with the increasing valuation of the property, has resulted in the Directors being satisfied with the Group's financial performance during the year, and with the investment property valuation at the year end date.

GH EQUITY UK LIMITED

STRATEGIC REPORT (CONTINUED)

KEY PERFORMANCE INDICATORS

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

	2022 £	2021 £
Investment property valuation	706,300,000	702,200,000
Rental income	22,706,660	6,297,124
Rental yield	3.2%	0.9%
Ratio of third party financing to property value	62%	62%

The Directors are confident that the market conditions will continue to improve such that the property valuation, rents and the yield will be further positively impacted in future periods.

Going concern

In their consideration of the appropriateness of the going concern basis of preparation of these financial statements, the Directors have performed an assessment of the remaining financial impact of COVID-19 on the Group. The principal impact is that at 31 December 2022 the Group was in breach of financial covenants within its borrowing facilities following a reduction in rental income from pre-COVID levels.

In view of these events, the Directors have put in place measures to enable the Group to continue to meet its liabilities as they fall due for a period of 12 months from signing these financial statements. The Group arranged waivers of the loan covenant breaches to cover the period to 8 April 2023. As part of the loan covenant waiver arrangements the Katara Hospitality group ("Katara group") agreed to provide additional cash reserves such that an amount of £13.4m was on deposit with the GH Equity UK Limited group in order to sufficiently cover loan interest in the waiver period. In 2022 the group required no additional cash support from the Katara group. The 2023 rental income is such that the Group is no longer in breach of the loan covenants in the next financial period, and the Group's forecasted rental income is expected to be sufficient to cover loan interest payments and all other expenditure in 2023 and beyond. Notwithstanding this, the Group has also received written confirmation that, in addition to the cash reserves already made available, the Katara Group will provide sufficient financial support, should it be required, for the Group to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the 2022 financial statements.

As a result of the cash reserves made available, the increased future rental income, the continued availability of support from the Katara Group and the exit from the loan covenant breach position, the Directors consider that the Group will have adequate resources to continue in operational existence for the foreseeable future.

Based on the above, and in particular the improved rental forecasts for the 2023-24 period and beyond, which covers a period of at least 12 months from the date of signing these financial statements, the Directors consider it is appropriate for the financial statements to be prepared on the going concern basis.

GH EQUITY UK LIMITED

STRATEGIC REPORT (CONTINUED)

FUTURE DEVELOPMENTS

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

See also note 22 for further information on events occurring in the post balance sheet period.

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 Group 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 Group is unable to meet its financial obligations as they fall due. The Group seeks to minimise liquidity risk on refinancing by borrowing for as long as possible and at the lowest acceptable cost.

Whilst the Group had breached financial covenants within its loan facility arrangements at 31 December 2022, the 2023 rental income is such that the Group is no longer in breach of the loan covenants in the next financial period, and the Group's forecasted rental income is expected to be sufficient to cover loan interest payments and all other expenditure in 2023 and beyond.

The Group's third-party financing arrangements are repayable in 2024 and the Directors are confident that there is no foreseeable risk to the Group's liquidity.

Interest rate risk

At 31 December 2022 the Group is party to a variable rate loan of £380m (2021: £380m), however an interest rate swap is in place which fixes the interest rate on the entire loan amount of £380m. The Group is also party to a £55m loan facility (2021: £55m), on which interest is payable at a fixed rate of 6.2%.

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

Tenant credit risk

The Group 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 Group 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 Group is at risk of not making its interest and other payments if it is unable to collect receivables when due. The Group 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.

Market value risk

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

GH EQUITY UK LIMITED

STRATEGIC REPORT (CONTINUED)

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Macro-economic risk

Given the ongoing impact of the conflict in Ukraine and the wider position of the world economy, including the intensification of the impact of central bank interest rate increases and forecasts of slowdowns in global economic growth, management has performed an assessment of the financial impact on the business. Whilst it is not currently possible for any financial impact on the Group to be accurately quantified, the current market trends and forecasts are such that future rental income is expected to continue to grow and management consider there to be no significant impact on the Group's future financial results.

COVID-19 risk

The Directors have, in their assessment of risks impacting the Group, considered the risks arising from COVID-19 and also considered the impact of the COVID-19 pandemic on the Group's balance sheet position as at 31 December 2022.

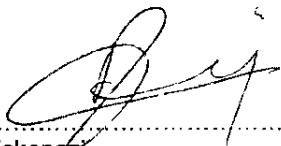
Rental income has steadily increased in the post-pandemic period and is expected to return to pre-pandemic levels in 2023. The residual cash flow risk of the effect of COVID-19 has been addressed via the availability of financial support from the Katara shareholder group.

The breach of financial loan covenants arising as a result of the reduction in rental income since 2019 has ceased to exist at the date of approval of these financial statements.

The Directors have identified no issues concerning recoverability of assets at the balance sheet date. Whilst the directors acknowledge the negative impact on the investment property valuation since the pre-covid period, the impact is expected to be short term, restricted to the COVID-19 pandemic period and its immediate aftermath. This is reflected in the upward movement in the 2021 property valuation and continued upward movement in 2022. The directors are confident that in the short to medium term the property valuation will return to pre-pandemic levels.

Further details of the Group's risk and capital management policies can be found in note 17.

Approved by the Board and signed on its behalf by


.....
D Z Eskenazi
Director

Dated: 13.04.2023

GH EQUITY UK LIMITED

DIRECTORS' REPORT

The Directors present the report and consolidated Financial Statements of the Group and Company (Company No: 10816508) for the year ended 31 December 2022. The Company is incorporated as a Limited Company and is domiciled in England, registered under the Companies Act 2006.

DIRECTORS

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

K Rhazali	(resigned 23/02/2023)
O Acar	(resigned 23/02/2023)
D Z Eskenazi	
I A Gray	
M Al Asmakh	(appointed 23/02/2023)
K Priyadarshi	(appointed 23/02/2023)

RESULTS AND DIVIDENDS

The result for the year is set out on page 11. No dividends were paid (2021: £Nil). The Directors do not recommend payment of a final dividend.

POLICY ON PAYMENT OF SUPPLIERS

Substantially all of the supplier payment terms are 30 days (2021: 30 days). The policy is to pay suppliers by the due date. The current trade creditors days is 46 days (2021: 51 days).

AUDITOR

Deloitte LLP has indicated its willingness to continue in office.

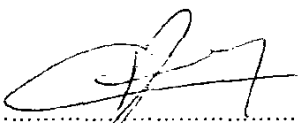
STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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.

DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

Information regarding strategy, financial risk management, principal activity and future developments are not shown in the Directors' Report as this information is presented in the Strategic Report in accordance with section 414c(11) of the Companies Act 2006.

Approved by the Board and signed on its behalf by


.....
D Z Eskenazi
Director

Dated: ...17.04.2023.....

GH EQUITY UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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 Group financial statements in accordance with UK-adopted International Accounting Standards and to prepare Company financial statements in accordance with United Kingdom Accounting Standards and applicable law - UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 101: Reduced Disclosure Framework ("FRS 101").

The Group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the Group and the Company; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to 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 of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted International Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 GH EQUITY UK LIMITED

Opinion

In our opinion:

- the financial statements of GH Equity UK Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 22

The financial reporting framework that has been applied in the preparation of the group financial statements' applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements' applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GH EQUITY UK LIMITED (CONTINUED)

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group's and the parent 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 group or the parent 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GH EQUITY UK LIMITED
(CONTINUED)**

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006 and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be *fundamental to the group's ability to operate or to avoid a material penalty*

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Management is required to make a number of significant assumptions and judgements in determining the fair value of the investment property and therefore we have identified this as a potential fraud risk. The property is independently valued by a professionally qualified valuer, however Management are ultimately responsible for the significant estimates, including the key inputs into the fair value model, being rental income and discount rates. Alongside our real estate valuation specialists, we challenged the key inputs and assumptions, which included reconciling rental inputs against the lease agreement and benchmarking of discount rates to independent market data; and
- We identified a risk of fraud related to revenue recognition as a result of the complex adjustments required in the rental income calculation based on the performance of the underlying hotel operator. In addressing this risk we performed a recalculation of revenue and assessed the adjustments against the terms of the underlying lease agreement.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GH EQUITY UK LIMITED
(CONTINUED)**

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

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.



Theo Brennand FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Helier, Jersey

17 April 2023

GH EQUITY UK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Revenue	3	23,423,871	6,940,258
Administrative expenses	4	(1,539,489)	(1,310,659)
Increase in fair value of investment property	8	4,100,000	13,200,000
Operating profit		<u>25,984,382</u>	<u>18,829,599</u>
Fair value gain on derivative financial instruments	15	25,920,709	15,918,515
Finance costs	5	(30,083,820)	(26,285,717)
Profit before tax	4	<u>21,821,271</u>	<u>8,462,397</u>
Income tax expense	7	(1,574,939)	(5,354,536)
Profit and total comprehensive income for the financial year		<u>20,246,332</u>	<u>3,107,861</u>

The total comprehensive income for the year is entirely attributable to the owners of the parent company.

There was no other comprehensive income for the current or preceding year.

The above results derive from continuing operations.

The notes on pages 17 to 38 are an integral part of these financial statements.

GH EQUITY UK LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION


AS AT 31 DECEMBER 2022

Company No: 10816508

ASSETS	Note	2022 £	2021 £
Non-current assets			
Investment property	8	706,300,000	702,200,000
Property, plant and equipment – Right-of-use assets	9	458,327	463,985
Derivative financial instrument	15	23,130,278	-
		<u>729,888,605</u>	<u>702,663,985</u>
Current assets			
Trade and other receivables	11	11,405,024	4,952,339
Cash and cash equivalents		21,634,595	19,498,313
		<u>33,039,619</u>	<u>24,450,652</u>
TOTAL ASSETS		<u>762,928,224</u>	<u>727,114,637</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18	39,610,979	39,610,979
Retained earnings		77,554,060	57,307,728
Equity attributable to the owners of the parent		<u>117,165,039</u>	<u>96,918,707</u>
Non-current liabilities			
Borrowings	13	141,975,000	141,975,000
Lease liabilities	14	479,937	480,167
Derivative financial instrument	15	-	2,790,431
Deferred tax liabilities	16	22,752,466	21,315,100
Total non-current liabilities		<u>165,207,403</u>	<u>166,560,698</u>
Current liabilities			
Trade and other payables	12	47,409,122	31,449,599
Borrowings	13	433,146,430	432,185,417
Lease liabilities	14	230	216
Total current liabilities		<u>480,555,782</u>	<u>463,635,232</u>
Total liabilities		<u>645,763,185</u>	<u>630,195,930</u>
TOTAL EQUITY AND LIABILITIES		<u>762,928,224</u>	<u>727,114,637</u>

The notes on pages 17 to 38 are an integral part of these financial statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 17.04.2023 and are signed on its behalf by:


D Z Eskenazi
Director

GH EQUITY UK LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

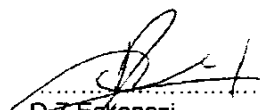
Company No: 10816508

	Note	2022 £	2021 £
ASSETS			
Non-current assets			
Investments	10	100	100
Trade and other receivables	11	167,965,741	165,469,699
		<u>167,965,841</u>	<u>165,469,799</u>
Current assets			
Trade and other receivables	11	55,052,006	45,381,279
TOTAL ASSETS		<u>223,017,847</u>	<u>210,851,078</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18	39,610,979	39,610,979
Retained earnings		<u>5,858,177</u>	<u>4,537,016</u>
Equity attributable to the owners of the company		<u>45,469,156</u>	<u>44,147,995</u>
Non-current liabilities			
Borrowings	13	141,975,000	141,975,000
Total non-current liabilities		<u>141,975,000</u>	<u>141,975,000</u>
Current liabilities			
Trade and other payables	12	35,573,691	24,728,083
Total current liabilities		<u>35,573,691</u>	<u>24,728,083</u>
Total liabilities		<u>177,548,691</u>	<u>166,703,083</u>
TOTAL EQUITY AND LIABILITIES		<u>223,017,847</u>	<u>210,851,078</u>

The Group has elected to take exemption under Section 408 of the Companies Act 2006 to not present the Company statement of comprehensive income. The Company's profit and total comprehensive income for the year was £1,321,161 (2021: £2,638,776).

The notes on pages 17 to 38 are an integral part of these financial statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 17.04.2023 and are signed on its behalf by:


D-Z Eskenazi
Director

GH EQUITY UK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2021	39,610,979	54,199,867	93,810,846
<i>Changes in equity for 2021</i>			
Profit and total comprehensive income for the year	-	3,107,861	3,107,861
Balance at 31 December 2021	<u>39,610,979</u>	<u>57,307,728</u>	<u>96,918,707</u>
<i>Changes in equity for 2022</i>			
Profit and total comprehensive income for the year	-	20,246,332	20,246,332
Balance at 31 December 2022	<u>39,610,979</u>	<u>77,554,060</u>	<u>117,165,039</u>

Share capital

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

Retained earnings

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

The notes on pages 17 to 38 are an integral part of these financial statements.

GH EQUITY UK LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2021	39,610,979	1,898,240	41,509,219
<i>Changes in equity for 2021</i>			
Profit and total comprehensive income for the year	-	2,638,776	2,638,776
Balance at 31 December 2021	<u>39,610,979</u>	<u>4,537,016</u>	<u>44,147,995</u>
<i>Changes in equity for 2022</i>			
Profit and total comprehensive income for the year	-	1,321,161	1,321,161
Balance at 31 December 2022	<u>39,610,979</u>	<u>5,858,177</u>	<u>45,469,156</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.

The notes on pages 17 to 38 are an integral part of these financial statements.

GH EQUITY UK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit for the year before tax		21,821,271	8,462,397
Depreciation – leased assets		5,658	5,658
Finance costs	5	30,083,820	26,285,717
Increase in fair value of investment property	8	(4,100,000)	(13,200,000)
Fair value gain on derivative financial instrument	15	(25,920,709)	(15,918,515)
Operating cash flows before movements in working capital		21,890,040	5,635,257
Increase in trade and other receivables		(6,590,258)	(4,649,921)
Increase/(decrease) in trade and other payables		4,100,537	(2,567,637)
Cash generated from/(used in) operations		19,400,319	(1,582,301)
Interest paid		(16,611,321)	(16,611,152)
Net cash generated from/(used in) operating activities		2,788,998	(18,193,453)
Cash flows from financing activities			
Principal paid on lease liabilities		(216)	(204)
Advance of group loan		-	31,300,000
Financing transaction costs		(652,500)	-
Net cash flow (used in)/generated from financing activities		(652,716)	31,299,796
Net increase in cash and cash equivalents		2,136,282	13,106,343
Cash and cash equivalents at beginning of the year		19,498,313	6,391,970
Cash and cash equivalents at end of the year		21,634,595	19,498,313
Relating to:			
Unrestricted cash balances		8,231,910	2,844,244
Restricted cash balances		13,402,685	16,654,069
		21,634,595	19,498,313

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.

The notes on pages 17 to 38 are an integral part of these financial statements.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. PRINCIPAL ACCOUNTING POLICIES

General information

The principal activity of the Company is that of a holding Company. The principal activity of the Group is that of 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 England and Wales. The address of its registered office is Third Floor, One London Square, Cross Lanes, Guildford, Surrey, GU1 1UN.

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with United Kingdom adopted International Accounting Standards.

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 value.

The preparation of consolidated financial statements in conformity with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Reduced disclosures

The Company is a qualifying entity for the purposes of FRS 101 Reduced Disclosure Framework ("FRS 101") and has therefore taken the advantage of the following exemptions from the requirements of IFRS for parent company information presented within the consolidated financial statements:

- Presentation of a Company Cash Flow Statement and related notes;
- Inclusion of an explicit and unreserved statement of compliance with IFRS;
- Disclosure of Company key management compensation;
- Comparative period reconciliations for Company share capital, investments, property and plant and equipment;
- Related party disclosures for transactions with the parent or wholly owned members of the Group; and
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.

New standards and amendments

For the preparation of these financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 January 2022.

Amendments to IFRS 3, IAS 16, IAS 37 and Annual improvements 2018-2020 (*effective 1 January 2022*)

The adoption of these standards has not had a material impact on the financial statements.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

New and revised standards in issue but not yet effective

The following standards and interpretations relevant to the Group are in issue but are not yet effective and have not been applied in the preparation of the financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (*effective 1 January 2023*)

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (*effective 1 January 2023*)

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (*effective 1 January 2023*)

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (*effective 1 January 2023*)

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - (*effective 1 January 2024*)

The directors do not expect the adoption of these standards to have a material impact on the financial statements.

Going concern

In their consideration of the appropriateness of the going concern basis of preparation of these financial statements, the Directors have performed an assessment of the remaining financial impact of COVID-19 on the Group. The principal impact is that at 31 December 2022 the Group was in breach of financial covenants within its borrowing facilities following a reduction in rental income from pre-COVID levels.

In view of these events, the Directors have put in place measures to enable the Group to continue to meet its liabilities as they fall due for a period of 12 months from signing these financial statements. The Group arranged waivers of the loan covenant breaches to cover the period to 8 April 2023. As part of the loan covenant waiver arrangements the Katara Hospitality group ("Katara group") agreed to provide additional cash reserves such that an amount of £13.4m was on deposit with the GH Equity UK Limited group in order to sufficiently cover loan interest in the waiver period. In 2022 the group required no additional cash support from the Katara group. The 2023 rental income is such that the Group is no longer in breach of the loan covenants in the next financial period, and the Group's forecasted rental income is expected to be sufficient to cover loan interest payments and all other expenditure in 2023 and beyond. Notwithstanding this, the Group has also received written confirmation that, in addition to the cash reserves already made available, the Katara Group will provide sufficient financial support, should it be required, for the Group to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the 2022 financial statements.

As a result of the cash reserves made available, the increased future rental income, the continued availability of support from the Katara Group and the exit from the loan covenant breach position, the Directors consider that the Group will have adequate resources to continue in operational existence for the foreseeable future.

Based on the above, and in particular the improved rental forecasts for the 2023-24 period and beyond, which covers a period of at least 12 months from the date of signing these financial statements, the Directors consider it is appropriate for the financial statements to be prepared on the going concern basis. The financial statements do not include any adjustments that would result should the going concern basis of preparation not be appropriate. In the event that this basis is not appropriate provisions may be required and assets may need to be written down to their recoverable amount.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Audit exemption

The subsidiary undertaking, Reeves Lease Limited (09462480), has claimed the audit exemption under Companies Act 2006 Section 479A with respect to its year ended 31 December 2022. The Company has given a statement of guarantee under Companies Act Section 479C, to guarantee all outstanding liabilities to which the subsidiary company is subject as at 31 December 2022.

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Foreign currency translation

The functional and presentational currency of the Group is Sterling. The Group does not enter into transactions in currencies other than its functional currency.

Revenue recognition

Revenue is measured based on the consideration to which the Group 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.

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 the 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.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases – as lessee

On commencement of a contract (or part of a contract) which gives the Group the right to use an asset for a period of time in exchange for consideration, the Company recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Short-term leases

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

Leases of low-value assets

For leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

Initial and subsequent measurement of the right-of-use assets

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Leased property	On a straight-line basis over the shorter of the lease term and the useful life (85 years).
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The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below. An estimate of costs to be incurred in restoring the leased asset to the condition required under the terms and conditions of the lease is recognised as part of the cost of the right-of-use asset when the Group incurs the obligation for these costs.

The costs are incurred at the start of the lease or over the lease term. The provision is measured at the best estimate of the expenditure required to settle the obligation.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Company is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Termination penalties are included in the lease payments if the lease term has been adjusted because the Group reasonably expects to exercise an option to terminate the lease.

The exercise price of an option to purchase the leased asset is included in the lease liability when the Group is reasonably certain to exercise that option.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases – as lessee (continued)

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Re-measurement of the lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the Group's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

Changes to the amounts expected to be payable under a residual value guarantee and changes to lease payments due to a change in an index or rate are recognised when the change takes effect, and are discounted at the original discount rate unless the change is due to a change in floating interest rates, when the discount rate is revised to reflect the changes in interest rate.

Lease modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate used is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee Company's incremental borrowing rate at the date of the modification.

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

Leases – as lessor

Lease income from operating leases is recognised in line with the Group's revenue recognition accounting policy.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Where there is no reasonable certainty that ownership of the asset will be transferred to the Company at the end of the lease term, the asset shall be fully depreciated to residual value, over the shorter of the lease term and the useful life. If there is reasonable certainty that the asset will be transferred to the Company at the end of the lease term, the asset will be depreciated over its useful life to residual value, in accordance with IAS 16 Property, plant and equipment.

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 8. Gains or losses arising from changes in the fair value of investment property are included in the consolidated 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 Group 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.

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term investments held by the Group 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.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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 Group 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 17. 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 and 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.

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.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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. A default is considered to be when the receivable is 60 days past due. 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.

Segmental reporting

The Directors consider there to be only one operating segment, being the rental of the Group'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.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Current and deferred tax is charged or credited in the consolidated 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.

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 Group 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:

Judgements

In the course of preparing the financial statements, judgements have been made in the process of applying the accounting policies that have had a significant effect in the amounts recognised in the financial statements. The following are the areas requiring the use of judgements that may significantly impact the financial statements.

COVID recovery period

The expected timing and pace of the continued recovery of rental income following the COVID-19 pandemic, and also the impact of the wider economic recovery on the property valuation inputs, are key judgements in determining the property fair value. Further details and the impact of valuation sensitivities are set out in note 8.

Leases

The Group uses judgement to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on its external borrowings secured against similar assets, adjusted for the term of the lease. On this basis, the Group has estimated its incremental borrowing rate to be 6.2%.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT (CONTINUED)

Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. Estimates include:

Investment property

The key accounting estimate in preparing these consolidated Financial Statements relates to the carrying value of the investment property which is stated at fair value. The valuation of the Group'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 8.

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).

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. The deferred tax liability arising on the investment property held at fair value is calculated on the basis that the carrying value of the asset is expected to be entirely recovered through sale (see note 16 for further details).

Deferred tax assets in respect of tax losses carried forward are recognised on the basis that there are expected to be sufficient profits generated to utilise these losses in the near future.

3. REVENUE

	2022	2021
	£	£
Rental income	22,706,660	6,297,124
Other property related income	717,211	643,134
	<u>23,423,871</u>	<u>6,940,258</u>

Rental income is generated from the investment property in the United Kingdom, and consists of £22,656,660 and £50,000 (2021: £6,247,124 and £50,000) derived from two third party tenants respectively.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4. PROFIT BEFORE TAX	2022	2021
	£	£
The profit before tax is stated after charging:		
Depreciation – right-of-use assets	5,658	5,658
Amounts payable to the auditor in respect of auditing the financial statements:		
- of the Company	35,000	27,000
- of the Company's subsidiaries	60,000	73,000
	2022	2021
	£	£
Administrative expenses by nature:		
Property management, hotel management and insurance costs	839,851	758,812
Other expenses	699,638	551,847
	1,539,489	1,310,659
5. FINANCE COSTS	2022	2021
	£	£
Interest on bank loans	17,865,028	16,579,009
Interest on group loan	10,572,969	8,713,549
Financing transaction costs	1,613,516	961,016
Interest on lease liabilities	29,780	29,796
Bank charges	2,527	2,347
	30,083,820	26,285,717

6. EMPLOYEES AND DIRECTORS

There were no employees during the year (2021: none) apart from the Directors of the Company and Group.

Directors remuneration comprised:

	2022	2021
	£	£
Remuneration for qualifying services	15,867	15,852

No directors are accruing benefits under defined contribution pension schemes (2021: none) and no directors received payments under long term incentive schemes (2021: none).

The remuneration of certain directors is borne by the Katara Hospitality group.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. In the opinion of the Directors there were no key management personnel other than the Directors in the year.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7. INCOME TAX

	2022	2021
	£	£
Current taxation		
UK corporation tax	137,573	-
Total current tax	<u>137,573</u>	<u>-</u>
Deferred taxation (note 16)		
Origination and reversal of temporary differences	1,092,398	238,912
Effect of tax rate change on opening balances	344,968	5,115,624
Total deferred tax	<u>1,437,366</u>	<u>5,354,536</u>
Total income tax charge	<u><u>1,574,939</u></u>	<u><u>5,354,536</u></u>

The actual tax charge differs from the expected tax charge computed by applying the UK corporation tax rate of 19% (2021: 19%) as follows:

	2022	2021
	£	£
Profit before taxation	21,821,271	8,462,397
Profit before taxation, multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	<u>4,146,041</u>	<u>1,607,855</u>
Effects of:		
Non-deductible items	2,009,891	1,655,575
Income not taxable	(4,976,140)	(3,024,518)
Transfer pricing adjustments	50,179	-
Effects of changes in rates and laws	344,968	5,115,624
	<u>(2,571,102)</u>	<u>3,746,681</u>
Total income tax charge	<u><u>1,574,939</u></u>	<u><u>5,354,536</u></u>

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 on 24 May 2021. These included an increase of the corporation tax rate to 25% from 1 April 2023. As this change was substantively enacted at the balance sheet date, where deferred tax is recognised, it is at a rate of 25% in the current year (2021: 25%).

The Group has estimated trading losses and management expenses of £81,368,322 (2021: £82,129,295) available to carry forward against future taxable profits.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8. INVESTMENT PROPERTY

	2022 Group £	2021 Group £
Fair value:		
Opening balance for the year	702,200,000	689,000,000
Fair value adjustment	4,100,000	13,200,000
Closing balance for the year	<u>706,300,000</u>	<u>702,200,000</u>

The investment property comprises a long leasehold over the Grosvenor House Hotel, Park Lane, London, expiring in 2104. The lessee, Marriott International Inc., bears the contractual obligation to maintain the investment property.

A valuation of the investment property was undertaken by an independent professional valuer as at 31 December 2022. The valuer is a leading UK property valuation provider with local and national knowledge of the property market involved. The valuation was prepared in accordance with the current version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (“the Red book”) as at the valuation date. The valuer is qualified for the purpose of the valuation in accordance with the Red book. The impact of COVID-19 cause extensive disruptions to businesses and economic activities therefore there remains estimation uncertainty over the fair value of the investment property at the balance sheet date. The leasehold property was valued on an open market basis at £706m and has been included in these financial statements by the Directors as their best estimate of the investment property’s fair value at 31 December 2022.

The valuation method represents a level 3 valuation, as defined in IFRS 13: Fair Value Measurement, including unobservable 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 increases to rental income of 2% for the remainder of the lease up to 2052, discounted at a rate of 6.25%. The valuation is based on an exit yield of 4%. Other valuation considerations applied in the valuation include consideration of recent survey reports, the London hotel market, local hotel competition and comparable transactions.

As noted above, the valuation of the investment property involves the use of significant unobservable inputs. There are interrelationships between the unobservable inputs, as they are determined by market conditions, and movements in these inputs could result in a significantly lower or higher fair value measurement, which could be material. The significant unobservable inputs used in the fair value measurement are mainly rental value and discount rates.

The expected rental income is a key input into the valuation, however this is heavily dependent upon the underlying performance of the hotel operations and due to the complexities of the lease arrangement, which is based upon EBITDA, can be volatile year on year. The property rental income earned by the Group from its investment property amounted to £22,706,660 (2021: £6,297,124). This was a significant increase from prior years as rental income recovered from the direct financial impact of the COVID-19 pandemic in prior years.

The table below shows the potential impact on the investment property valuation were a 5% movement in hotel EBITDA to arise or a 0.5% movement in the exit yield and discount rate to arise, assuming all other variables remained constant, with 5% and 0.5% being determined as the change in input variables that is reasonably possible at the reporting date.

Fair Value	+5% change in hotel EBITDA	-5% change in hotel EBITDA	+0.5% change in exit yield and discount rate	-0.5% change in exit yield and discount rate
£706,300,000	+£31,800,000	-£35,200,000	-£500,000	+£500,000

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Right-of-use asset - Buildings £
Cost:	
At 1 January 2022 and 31 December 2022	480,959
Accumulated depreciation:	
At 1 January 2022	16,974
Charge for the year	5,658
At 31 December 2022	22,632
Net book value:	
At 31 December 2022	458,327
At 31 December 2021	463,985

The net book value of the Group's property, plant and equipment relates entirely to right-of-use assets which consist of buildings with a net book value of £458,327 (2021: £463,985). The remaining lease term is for 81 years, expiring January 2104. No borrowing costs were capitalised (2021: £Nil).

10. INVESTMENTS - COMPANY

	£
Investments in subsidiaries:	
At 1 January 2021, 31 December 2021 and 31 December 2022	100

The Company has investments in the following subsidiaries:

Name of subsidiary	Place of incorporation	Proportion of Ordinary shares held %	Nature of business
GH Equity Limited <i>Registered office: IFC 5, St Helier, Jersey, JE1 1ST</i>	Jersey	100	Holding company
GH Mezz I Limited* <i>Registered office: IFC 5, St Helier, Jersey, JE1 1ST</i>	Jersey	100	Holding company
GH Mezz II Limited* <i>Registered office: IFC 5, St Helier, Jersey, JE1 1ST</i>	Jersey	100	Holding company
GHH Holdings Limited* <i>Registered office: Third Floor, One London Square, Cross Lanes, Guildford, Surrey, GU1 1UN</i>	UK	100	Property investment
Reeves Lease Limited* <i>Registered office: Third Floor, One London Square, Cross Lanes, Guildford, Surrey, GU1 1UN</i>	UK	100	Property investment

*Subsidiary undertakings owned indirectly.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. No impairment was considered necessary for the current or preceding year.

Reeves Lease Limited (09462480) is exempt from audit under Section 479(a) of Companies Act 2006.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11. TRADE AND OTHER RECEIVABLES

	2022 Group £	2022 Company £	2021 Group £	2021 Company £
Current				
Trade receivables	-	-	-	-
Group receivables	-	1,295,579	-	1,237,138
Prepayments and accrued income	11,307,559	53,756,427	4,717,301	44,144,141
Corporation tax receivable	97,465	-	235,038	-
	<u>11,405,024</u>	<u>55,052,006</u>	<u>4,952,339</u>	<u>45,381,279</u>
Non-current				
Group receivables	-	167,965,741	-	165,469,699

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. All receivables are denominated in Sterling. The Directors have assessed the credit risk of its financial assets measured at amortised cost and has determined that the loss allowance for expected credit losses of those assets is immaterial to the financial statements.

Current group receivables are unsecured and repayable on demand. Interest accrues at rates of 3.43% and 6.25%.

Non-current group receivables owed to the Company represent loan notes issued to a subsidiary undertaking. Interest accrues on the loan notes at 7.25% of which 1.5% is rolled up and included within the loan note balance. The balance is unsecured and due for repayment in 2024. The balance on the loan notes at 31 December 2022 was £167,965,741 (2021: £165,469,699). Unpaid interest of £53,756,427 (2021: £44,144,141) is included in the Company's prepayments and accrued income at 31 December 2022.

12. TRADE AND OTHER PAYABLES

	2022 Group £	2022 Company £	2021 Group £	2021 Company £
Trade payables	192,590	-	184,600	-
Group payables	-	76,260	-	85,259
Accruals and deferred income	46,155,788	35,497,431	30,736,505	24,642,824
Other payables	1,060,744	-	528,494	-
	<u>47,409,122</u>	<u>35,573,691</u>	<u>31,449,599</u>	<u>24,728,083</u>

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

The Company's group payables are unsecured and repayable on demand. No interest accrues on the balance (2021: no interest).

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13. BORROWINGS

	2022 Group £	2022 Company £	2021 Group £	2021 Company £
Current:				
Bank loans	433,146,430	-	432,185,417	-
Non-current:				
Loan from group	141,975,000	141,975,000	141,975,000	141,975,000
	<u>575,121,430</u>	<u>141,975,000</u>	<u>574,160,417</u>	<u>141,975,000</u>

Bank loans includes a senior loan of £380m and 'Mezzanine' bank loan facility of £55m, recognised net of amortised transaction costs. The Group was in breach of financial covenants within the facility arrangements at 31 December 2022 and a waiver period had been agreed up to 8 April 2023 as at that date. As the waiver of the covenant breaches in place as at 31 December 2022 was for a period of less than 12 months the bank loans remain classified current borrowings at the year-end date. As at the date of approval of these financial statements the Group is no longer in breach of the loan covenants.

The senior loan of £380m loan is secured with fixed and floating charges over the assets of the Group. The loan is repayable in full in December 2024, and interest payable quarterly in arrears at a margin of 2.08% over 3 month LIBOR. The Group is party to an interest rate swap which fixes the variable element of the interest on the entire senior loan amount of £380m at 1.373% (2021: 1.373%). The bank loan was initially recognised at fair value, net of transaction costs. At 31 December 2022 the loan is stated net of amortised transaction costs of £1,367,567 (2021: £2,076,604).

The 'Mezzanine' bank loan of £55m is secured with fixed and floating charges over the assets of the Group. The loan is repayable in December 2024 and interest payable in arrears at 6.2%. The loan was initially recognised at fair value, net of transaction costs. At 31 December 2022 the loan is stated net of amortised transaction costs of £486,003 (2021: £737,979).

The Group loan is unsecured, and due for repayment on 31 December 2024. Interest is charged at 6.2%. Accrued interest on the loan of £35,215,793 is included within accruals and deferred income (2021: £24,642,824).

Reconciliation of liabilities arising from financing activities:

Group	1 January 2022 £	Cash flows £	Non-cash changes £	31 December 2022 £
Bank loans	432,185,417	-	961,013	433,146,430
Loan from group	141,975,000	-	-	141,975,000
Lease liability	480,383	(30,000)	29,784	480,167
	<u>574,640,800</u>	<u>(30,000)</u>	<u>990,797</u>	<u>575,601,597</u>

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14. LEASE LIABILITIES

The Group's lease liabilities represent head rent payable on the long leasehold investment property. The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 December 2022 and the contractual maturity date.

Group

31 December 2022	Less than 1 year £	Between 1 and 5 years £	Later than 5 years £	Total £
Right-of-use asset - Buildings	30,000	120,000	2,280,000	2,430,000
Future finance charges on lease liabilities	(29,770)	(118,931)	(1,801,132)	(1,949,833)
Present value of lease liabilities	230	1,069	478,868	480,167
31 December 2021	Less than 1 year £	Between 1 and 5 years £	Later than 5 years £	Total £
Right-of-use asset - Buildings	30,000	120,000	2,310,000	2,460,000
Future finance charges on lease liabilities	(29,784)	(118,993)	(1,830,840)	(1,979,617)
Present value of lease liabilities	216	1,007	479,160	480,383
				Total £
Minimum lease payments under lease liabilities:				
Non-current				479,937
Current				230
				480,167

The rates of interest implicit in the Group's lease arrangements is not readily determinable and the incremental borrowing rate applied in calculating the lease liability is 6.2%. The fair value of the Group's lease obligations is approximately equal to their carrying amount.

Effect of leases on financial performance - Group	2022 £	2021 £
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:		
- Buildings	5,658	5,658
Interest expense for the year on lease liabilities recognised in 'finance costs'	29,780	29,796
Effect of leases on cash flows:		
Total cash outflow for leases in the year	30,000	30,000

Company

The Company has no lease liabilities.

GH EQUITY UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****15. DERIVATIVE FINANCIAL INSTRUMENTS**

	2022 Group £	2021 Group £
Interest rate swap asset/(liability)	23,130,278	(2,790,431)

The fair value of the interest rate swap at 31 December 2022 represents the conversion of £380m of variable rate borrowings (floored at 0%) to a fixed rate exposure of 1.373% ending in December 2024 (2021: £380m fixed at 1.373%).

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. The level in the fair value hierarchy into which this interest rate swap is recognised is level 2.

16. DEFERRED TAX LIABILITIES

Provision for deferred taxation has been made as follows:

Group	Chargeable gains £	Accumulated tax losses £	Accelerated depreciation £	Total £
At 1 January 2021	19,326,604	(12,882,713)	9,516,673	15,960,564
Charge to statement of comprehensive income	9,403,137	(7,053,867)	3,005,266	5,354,536
At 31 December 2021	28,729,741	(19,936,580)	12,521,939	21,315,100
Charge to statement of comprehensive income	1,025,002	181,016	231,348	1,437,366
At 31 December 2022	29,754,743	(19,755,564)	12,753,287	22,752,466

Company

There is no deferred tax arising.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 held at amortised cost	2022 Group £	2022 Company £	2021 Group £	2021 Company £
Current assets				
Trade and other receivables	11,254,258	55,052,005	4,672,713	45,381,279
Cash and cash equivalents	21,634,595	-	19,498,313	-
Non-current assets				
Trade and other receivables	-	167,965,741	-	165,469,699
Total financial assets	32,888,853	223,017,746	24,171,026	210,850,978
Other liabilities held at amortised cost	2022 Group £	2022 Company £	2021 Group £	2021 Company £
Current liabilities				
Trade and other payables	40,869,887	35,573,691	28,899,005	24,728,083
Loans and borrowings	433,146,430	-	432,185,417	-
Lease liabilities	230	-	216	-
Non-current liabilities				
Loans and borrowings	141,975,000	141,975,000	141,975,000	141,975,000
Lease liabilities	479,937	-	480,167	-
Total financial liabilities	616,471,484	177,548,691	603,539,805	166,703,083
Financial instruments measured at fair value	2022 Group £	2022 Company £	2021 Group £	2021 Company £
Interest rate swap asset/(liability)	23,130,278	-	(2,790,431)	-

In relation to the nature of the financial instruments that are measured in the Statement of Financial Position at fair value, IFRS 13 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 Group's financial risk management policies and exposure and approve financial transactions. The Director's overall risk management strategy seeks to assist the Group in meeting its financial targets whilst minimising potential adverse effects on financial performance.

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17. FINANCIAL INSTRUMENTS (CONTINUED)

Specific financial risk exposures and management

The Group'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 Group's policies for managing these risks are included below:

Interest rate risk

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

The Group 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 (floored at 0%) as at 31 December 2022 (2021: £380m fixed at 1.373%).

Credit risk

The objective of credit risk management is to enable the Group 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 Group.

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 statement of financial position. The Group only deposits cash with well-established financial institutions of high-quality credit standing. The credit rating of the counterparty with which cash deposits are held is rated between AA and A1/A+.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. The Group 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 Group's low-cost base minimise liquidity risk and ensure that funds are available to meet commitments as they fall due.

An entity owned by the ultimate controlling party has confirmed that they will not recall the Group loan and accrued interest unless sufficient resources are available. Additionally, the Katara Hospitality group has provided cash support to the Group in order to cover loan interest payments in the waiver period and for at least 12 months following the approval of these financial statements.

The table below analyses the Group's non-derivative financial liabilities on a contractual gross undiscounted cash flow basis into their relevant maturity groupings based on the contractual maturity date.

	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
At 31 December 2022				
Group				
Trade and other payables	40,869,887	-	-	-
Bank loans	433,146,430	-	-	-
Loan from group	-	141,975,000	-	-
Lease liabilities	230	244	825	478,868
At 31 December 2022				
Company				
Trade and other payables	35,573,691	-	-	-
Loan from group	-	141,975,000	-	-

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17. FINANCIAL INSTRUMENTS (CONTINUED)

	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
At 31 December 2021				
Group				
Trade and other payables	28,899,005	-	-	-
Bank loans	432,185,417	-	-	-
Loan from group	-	-	141,975,000	-
Lease liabilities	216	230	777	479,160
At 31 December 2021				
Company				
Trade and other payables	24,728,083	-	-	-
Loan from group	-	-	141,975,000	-

Whilst the Group had breached financial covenants within its loan facility arrangements at 31 December 2022, the 2023 rental income is such that the Group is no longer in breach of the loan covenants in the next financial period, and the Group's forecasted rental income is expected to be sufficient to cover loan interest payments and all other expenditure in 2023 and beyond.

Capital management

The Company's capital is managed at Group level. At a Group 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.

	2022 Group £	2022 Company £	2021 Group £	2021 Company £
Borrowings	575,121,430	141,975,000	574,160,417	141,975,000
Cash and cash equivalents	(21,634,595)	-	(19,498,313)	-
Net debt	553,486,835	141,975,000	554,662,104	141,975,000
Equity	117,165,039	45,469,156	96,918,707	44,147,995
Equity plus net debt	670,651,874	187,444,156	651,580,811	186,122,995
Gearing ratio	82.5%	75.7%	85.1%	76.3%

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 gearing ratio at 31 December 2022 was acceptable.

18. SHARE CAPITAL

	2022 £	2021 £
Issued and fully paid:		
39,610,979 Ordinary shares of £1 each	39,610,979	39,610,979

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

GH EQUITY UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19. OPERATING LEASE COMMITMENTS

Group as a lessor

The Group 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 period under this agreement amounted to £22,656,660 (2021: £6,247,124). Rent is subject to annual inflationary increases, subject to the achievement of certain performance criteria by the tenant.

The Group has contracted with another tenant, under a non-cancellable operating lease arrangement expiring in the year 2104. Rental income earned in the period under this agreement amounted to £50,000 (2021: £50,000). The rental income is fixed until 2026 when fixed rent uplifts are applied.

20. CONTROL

The Company's immediate holding company is KH Holding BV, an entity registered in Netherlands, and the ultimate controlling party is the Qatar Investment Authority. The Company 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, a company incorporated in Qatar at Katara Hospitality Building, Marina District, Lusail City, PO Box 2977 Doha, Qatar.

21. RELATED PARTY TRANSACTIONS

The Group is party to a loan facility from an entity owned by the ultimate controlling party. Interest of £10,572,969 (2021: £8,713,549) was charged on this facility during the year. The interest outstanding at 31 December 2022 was £35,215,793 (2021: £24,642,824) and is included in accruals and deferred income. The loan balance outstanding at 31 December 2022 of £141,975,000 (2021: £141,975,000) is included in long term borrowings.

The remuneration of certain directors is borne by the Katara Hospitality group. The amount of their remuneration in respect of services provided to the Company is unable to be quantified.

22. POST BALANCE SHEET EVENTS

As at the date of approval of these financial statements the Group is no longer in breach of its loan covenants. Funds have been cash trapped in order to meet the covenant requirement.

On 11 April 2023 an amount of £5.2m previously held on deposit was used as a prepayment of the senior secured loan.