

Selene Midco Limited

Reports and financial statements

Year ended 31 December 2018

Registered number: 10998873

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Selene Midco Limited

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Selene Midco Limited

Directors and other information

Directors

Fady Bakhos
Liam Cunningham

Registered office

41 - 43 Brook Street
Mayfair
London
W1K 4HJ

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

Barclays Bank
1 Churchill Place
London
E14 5HP

Allied Irish Bank (GB)
City Office
9 - 10 Angel Court
London
EC2R 7AB

Solicitors

MacFarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Registered number

10998873

Selene Midco Limited

Strategic report

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

Activities

The principal activity of the Group headed by Selene Midco Limited ('the Group') is the ownership and management of five star luxury hotels and restaurants in Central London, namely the Connaught and the Berkeley.

On 12 December 2017 the Group acquired all of the share capital of Maybourne Hotels Limited, the Connaught Hotel Limited and The Berkeley Hotel Limited for consideration of £338,254,000 from the indirect subsidiaries of Coroin Limited, which as at the acquisition date were under the common control of Selene S.A.R.L., a company registered in Luxembourg and the group intermediate parent company. The result of the transaction is that the businesses in the Group are consolidated from the acquisition date and the acquisition was accounted for in the prior year under the pooling of interest acquisition method as set out in more detail in note 17.

This is the first year that Selene Midco Limited has prepared consolidated accounts as it is now the UK ultimate parent following the restructuring on 7 December 2018, whereby 279,805,522 ordinary shares of £1 each were issued to Selene S.A.R.L in order to capitalise the debt in the amount of £279,805,522 that was owed Selene Midco Limited.

Management Company

Maybourne Hotels Limited ('Maybourne') which was a subsidiary of Coroin Limited until 12 December 2017, continues to provide, the Berkeley Hotel, the Connaught Hotel as well as Claridge's Hotel Limited, a former sister company owned by Coroin Limited, with a unique operating platform that supports the hotels in key functions by realising synergies in the areas of reservations, revenue management, sales and marketing. Maybourne management is also responsible for brand building, capital investment planning, as well as finance, purchasing, human resources and IT strategy supporting the hotels. This functionality plays an important role in the overall performance of the hotels and the creation of long term competitive advantage in the face of strong competition.

Selene Midco Limited

Strategic report *(continued)*

The Connaught Hotel

The Connaught continues to establish its position as one of the leading locations in Mayfair. Jean-Georges at The Connaught opened its popular terrace in summer 2018 on Carlos Place cementing its reputation as a true Mayfair neighbourhood destination. The Connaught unveiled The Mews in summer 2018, hailed by Wallpaper magazine and Architectural Digest as one of the most innovative moves by a London hotel. The award winning Connaught Bar celebrated its 10th anniversary with the launch of its first batch of exclusively bottled Connaught Gin. The Connaught Christmas Tree 2018 was designed by widely acclaimed artist Sir Michael Craig Martin and he turned on the Christmas Lights of Mount Street making it a focal point in the Mayfair community.

The Berkeley Hotel

The Berkeley in Knightsbridge continues to evolve and establish its new contemporary design aesthetic. The success of the recently added John Heah rooms and suites in addition to the super suites designed by Andre Fu have provided the hotel with some of the best room products in the capital, and this has been reflected in room rate and occupancy. In July 2018 the Berkeley hosted a sell-out pop-up from acclaimed Japanese chef Endo Kazutoshi which helped cement the hotel firmly on the food map. Christmas 2018 saw The Berkeley welcome the return of the "Snowfall" light installation by Rogers, Stirk, Harbour and Partners and The Berkeley hosted carols for its guests and neighbours with St Paul's Knightsbridge. The hotel has been crowned as the Christmas beacon of Belgravia.

33-39 Knightsbridge

At 33-39 Knightsbridge ('Goldrange') the Group is currently in the process of constructing a new contemporary hotel, an icon to add to their renowned heritage portfolio. This property will offer guests the opportunity to discover a redefined standard of luxury, creating an exclusive and world-class hub of art and culture, and introduce a new architectural landmark to London.

Business review

The Group in the year ended 31 December 2018 delivered robust results mainly due to:

- a) co-ordinated execution of a broad range of management initiatives dealing with operations improvements and a comprehensive set of programs launched locally and internationally, ranging from marketing and branding, to recruitment and purchasing, as well as the focus on developing the Maybourne brand in the UK and Internationally as an additional platform for doing business; and
- b) working hard to stay relevant in the face of new and renovated competitor hotels through the intelligent deployment of capex, experienced and expert management, technology and talent.

The Group's centralised services platform and group operational synergies are a major point of strength and differentiation amongst its competitors, playing a key role in sustaining industry leading performance notwithstanding the significant increase in London's luxury supply of hotel rooms in recent years.

Selene Midco Limited

Strategic report *(continued)*

Business review *(continued)*

The key performance indicators for the Group are highlighted in the below table:

	2018
Turnover £ million	107.6
Operating profit £ million	21.1
Profit/(loss) before tax £million	25.6
Adjusted Profit/(loss) before tax £ million*	4.9
RevPAR growth %	15.0
Occupancy %	80.6
Average room rate ('ADR') growth %	11.8
Gross profit %	62.1

*Adjusted Profit/(loss) before tax is reconciled to the income statement as follows:

	2018 £'000
Profit before tax as per Consolidated income statement	25,593
less reversal of prior year impairment	(20,720)
Adjusted Profit before tax	4,873

The group did not have a significant amount of trade since its incorporation on 5 October 2017 and the acquisition of the subsidiaries on 12 December 2017, therefore the above table does not show any comparative data for 2017. We present however individual property major KPIs for the full year 2018 and 2017 below:

	RevPAR growth		Average daily rate growth		Total revenue growth		EBITDA growth	
	2018	2017	2018	2017	2018	2017	2018	2017
Connaught	10.6%	6.7%	10%	8.3%	11.9%	7.2%	19.2%	(3%)
Berkeley	18.6%	16.3%	13.5%	11%	17.1%	2.1%	22%	1.4%

The Group will continue to develop a diverse geographic client base, targeting premium leisure and corporate guests from international markets. This is a critical component of the Group's long-term growth plan to balance risk. During 2018, the Group continued to work closely with its New York office placing emphasis on more mature markets which has proven to be a successful strategy. Incremental investment in the Group's new websites has also contributed to the growth from this efficient distribution channel.

Selene Midco Limited

Strategic report *(continued)*

Principal risks and uncertainties

The directors consider that the following are the principal risk factors that could materially and adversely affect the Group's future operating profits or financial position.

- General economic risk – the Group is exposed to general economic risk, including changes in the economic outlook in the hotel and leisure industry. The company is also exposed to government changes in industrial, fiscal, monetary or regulatory policies. The impact of general economic risk is somewhat reduced due to the high net worth of the group's customer base
- Liquidity risk - the Group is funded by a long term Murabaha agreement expiring in October 2022. The Group maintains cash flow and covenant compliance forecast in order to ensure the Group is able to meet its liabilities as they fall due
- Reputation risk – related to hotel prestige and social media status, health and safety and customer loyalty. The risk is mitigated by the company via various measures to provide a bespoke customer service, adhering to all health and safety regulations, acting within the scope of Modern Slavery Act 2015, money laundering and anti-bribery regulations.

The company has a successful track record of managing these risks. The directors are confident that they have put in place a strong management team and suite of products capable of dealing with the above issues as they arise.

Approved by the Board of Directors and signed on behalf of the Board



Liam Cunningham
Director

28 June 2019

Selene Midco Limited

Directors' report

Directors and their interests

The directors of Selene Midco Limited ('the Company') who held office during the period were as follows:

Fady Bakhos
Liam Cunningham

Details of directors' interests are set out in note 21.

Directors' liabilities

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

Dividends

During the period no dividends were paid or proposed.

Future developments

The Group is determined to enhance, invest and further develop its iconic hotels through the ongoing development works at The Berkeley Hotel and 33-39 Knightsbridge.

Maybourne is embarking on opening its fourth hotel on the site at 33-39 Knightsbridge; with the state of art rooms, suites and facilities, whereby Maybourne will continue its tradition of innovation, creativity and uniqueness with this exciting development.

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

The medium-term outlook for London is positive. Maybourne management recognises however the potentially adverse impact of The United Kingdom leaving the European Union if a withdrawal agreement is not approved by 31 October 2019 and the continued pressure of the increase in the supply of luxury accommodation in London. Management believes it has the team, strategies and initiatives in place to defend and build on its position effectively.

The directors believe that the worldwide economic and geopolitical events will continue to affect the group hotels trading conditions, but that the hotels are well placed to either address those risks or leverage the opportunities accordingly.

The Group's projections for 2019 and 2020 forecast softening in operating profit and cash flows reflecting the development works that continue to 33-39 Knightsbridge property, adjacent to The Berkeley Hotel and various other part of the Berkeley hotel. The Group holds sufficient working capital to meet its trading obligations.

Selene Midco Limited

Directors' report *(continued)*

Equal opportunities and diversity

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

Disclosure of information to auditors

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

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

Political and charitable contributions

The Group made no political or charitable contributions or donations during the period.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, details of its financial instruments, and its exposures to economic, liquidity and reputation risks are described in the Strategic Report on page 5

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

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

Selene Midco Limited

Directors' report *(continued)*

Auditor

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

These financial statements were approved by the Board of Directors on 28 June 2019.

Signed on behalf of the Board of Directors



Liam Cunningham
Director

28 June 2019

Selene Midco Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report, Strategic report, and the Group and Parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent company financial statements for each financial year. Under that law the directors' have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the Group and Parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board and signed on its behalf by



Liam Cunningham
Director

28 June 2019

Independent auditor's report to the members of Selene Midco Limited

Opinion

We have audited the financial statements of Selene Midco Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Company Statement of Financial Position and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- ▶ the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- ▶ the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ▶ the parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Independent auditor's report to the members of Selene Midco 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.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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.

Independent auditor's report to the members of Selene Midco Limited *(continued)*

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



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



Selene Midco Limited

Consolidated income statement for the period ended 31 December 2018

		2018 £'000	2017 £'000
	<i>Note</i>		
Continuing operations			
Revenue	3	107,644	4,486
Cost of sales		(40,830)	(1,765)
		<hr/>	<hr/>
Gross profit		66,814	2,721
Administrative expenses		(35,720)	(2,137)
Depreciation and amortisation	10, 11	(9,979)	(483)
		<hr/>	<hr/>
Operating profit	5	21,115	101
		<hr/>	<hr/>
Revaluation surplus/(deficit)	6, 10	20,720	(28,479)
Finance costs	7	(16,248)	(762)
Finance income		6	-
		<hr/>	<hr/>
Profit/(loss) before tax		25,593	(29,140)
Income tax (charge)/credit for the period	8	(3,342)	3,757
		<hr/>	<hr/>
Profit/(loss) for the period		22,251	(25,383)
		<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Selene Midco Limited

Consolidated statement of other comprehensive income for the period ended 31 December 2018

	Note	2018 £'000	2017 £'000
Profit/(loss) for the period		22,251	(25,383)
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	10	4,940	66,353
Tax on revaluation of property, plant and equipment	8	(2,886)	(10,432)
Remeasurements of defined benefit liability	20	611	-
Tax on remeasurements of defined benefit liability	8	(104)	-
		<u>2,561</u>	<u>55,921</u>
Other comprehensive income, net of tax		2,561	55,921
		<u>24,812</u>	<u>30,538</u>
Total comprehensive income for the period		24,812	30,538

The accompanying notes are an integral part of these financial statements.

Selene Midco Limited

Consolidated statement of financial position as at 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Property, plant and equipment	10	822,200	786,700
Intangible assets	11	2,250	2,700
Goodwill	12	45,989	45,989
Deferred tax	8	1,360	3,704
Total non-current assets		871,799	839,093
Trade and other receivables	14	18,432	19,423
Inventories	13	3,879	2,580
Cash and cash equivalents		14,274	6,106
Total current assets		36,585	28,109
Total assets		908,384	867,202
Equity			
Share capital	17	279,806	-
Pooling reserve	17	(59,287)	(59,287)
Retained earnings		114,171	91,413
Revaluation reserve		57,975	55,921
Total equity		392,665	88,047
Liabilities			
Loans and borrowings	16	380,688	386,410
Employee benefits	20	892	2,530
Deferred tax	8	91,237	88,127
Total non-current liabilities		472,817	477,067
Loans and borrowings	16	8,221	6,464
Trade and other payables	15	34,681	295,624
Total current liabilities		42,902	302,088
Total liabilities		515,719	779,155
Total equity and liabilities		908,384	867,202

The accompanying notes are an integral part of these financial statements.

On behalf of the board

Liam Cunningham
Director

28 June 2019

Selene Midco Limited

Consolidated statement of changes in equity for the period ended 31 December 2018

	Share capital £'000	Pooling reserves £'000	Retained earnings £'000	Revaluation reserve £'000	Total £'000
On incorporation on 5 October 2017	-	-	-	-	-
Loss for the year	-	-	(25,383)	-	(25,383)
Other comprehensive income	-	-	-	55,921	55,921
Total comprehensive income	-	-	(25,383)	55,921	30,538
Arising on acquisition of subsidiaries (note 17)	-	(59,287)	-	-	(59,287)
Capital contribution (note 17)	-	-	116,796	-	116,351
At 31 December 2017	-	(59,287)	91,413	55,921	88,047
Profit for the year	-	-	22,251	-	22,251
Other comprehensive income	-	-	507	2,054	2,561
Total comprehensive income	-	-	22,758	2,054	24,812
Issue of share capital (note 17)	279,806	-	-	-	279,806
At 31 December 2018	279,806	(59,287)	114,171	57,975	392,665

The accompanying notes are an integral part of these financial statements.

Selene Midco Limited

Consolidated statement of cash flows for the period ended 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Cash flows from operating activities			
Profit/(loss) for the financial year		22,251	(25,383)
Adjustments for:			
Depreciation of property, plant and equipment	10	9,529	461
Amortisation of intangible assets	11	450	22
Revaluation (gains)/losses	10	(20,720)	28,479
Loss on disposal of property, plant and equipment	10	1,145	-
Finance income		(6)	-
Finance costs	7	16,248	762
Retirement benefit obligations	21	(1,074)	-
Tax charge/(credit)	8	3,342	(3,757)
		31,165	584
Increase/(decrease) in net working capital		309	(584)
Tax paid	8	-	-
Net cash from operating activities		31,474	-
Cash flow from investing activities			
Purchase of property plant and equipment	10	(20,514)	-
Acquisition of subsidiaries net of cash acquired		-	(332,149)
Finance income		6	-
Net cash used in investing activities		(20,508)	(338,255)
Cash flows from financing activities			
Financing costs	7	(14,011)	-
Repayment of bank loans	16	(5,777)	-
Receipt of bank loans	16	-	338,255
Receipt of funds from related party	21	16,990	-
Net cash from financing activities		(2,798)	338,255
Net increase/(decrease) in cash and cash Equivalents		8,168	-
Cash and cash equivalents at 1 January		6,106	-
Cash and cash equivalents at 31 December		14,274	6,106

The accompanying notes are an integral part of these financial statements.

Selene Midco Limited

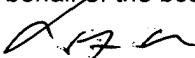
Company statement of financial position as at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Fixed assets			
Investments	24	455,050	455,050
		<hr/>	<hr/>
Creditors: amounts falling due within one year		(58,448)	(338,254)
Total assets less current liabilities		396,602	116,796
		<hr/>	<hr/>
Net assets		396,602	116,796
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	279,806	-
Retained earnings	17	116,796	116,796
		<hr/>	<hr/>
Shareholders' funds		396,602	116,796
		<hr/>	<hr/>

As permitted by section 408(3) of the Companies Act 2006, the Company has elected not to present its own income statement for the year. Profit for the period ended 31 December 2018 was £nil (2017: £Nil).

The accompanying notes are an integral part of these financial statements.

On behalf of the board


Liam Cunningham
Director

28 June 2019

Selene Midco Limited

Company statement of changes in equity for the year period 31 December 2018

	Share capital £'000	Retained earnings £'000	Total £'000
On incorporation at 5 October 2017	-	-	-
Comprehensive income			
Profit for the period	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Capital contribution (note 17)	-	116,796	116,796
At 31 December 2017	-	116,796	116,796
Comprehensive income			
Profit for the period	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Issue of share capital (note 17)	279,806	-	279,806
At 31 December 2018	279,806	116,796	396,602

Selene Midco Limited

Notes *(continued)*

1 Reporting entity

Selene Midco Limited ("the Company") is a private company incorporated and domiciled in the United Kingdom. The Company's registered office is 41 – 43 Brook Street, Mayfair, London, W1K 4HJ. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 Basis of preparation and significant accounting policies

Statement of compliance and basis of preparation

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

The consolidated financial statements represent the year ended 31 December 2018.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- property, plant and equipment are measured at fair value; and
- the defined benefit liability is recognised as the net total of the plan assets and the present value of the defined benefit obligation.

Functional currency and rounding

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

Use of estimates and judgements

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

The key accounting judgements and estimates in these financial statements include:

- fair value of property, plant & equipment (note 10);
- carrying amount of goodwill and intangible assets (note 11); and
- valuation of the defined benefit pension obligation (note 20).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The change in allocation of the capital expenditure used in the fair value calculations has been described in note 10.

The valuation technique used to derive the Goldrange property is gross development value of combined value of Berkeley site less the valuation of The Berkeley Hotel. The special purchaser assumption is that the asset can only be operated in conjunction with the Berkeley Hotel under the current planning permission which includes the value attributed to current extension plans.

Selene Midco Limited

Notes (continued)

2 Significant accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to economic, interest rate and liquidity risks are described in the Strategic Report on page 2.

The group headed by the Company's intermediate parent company, Constellation Hotels Holding Ltd S.C.A has provided a letter of financial support to Selene Midco Limited and its subsidiaries. As a consequence, the directors believe that the Group and subsidiaries are well placed to manage their business risks successfully and meet their liabilities as they fall due.

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

Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

A number of the Group's accounting policies and disclosures require the measurement of fair values. When measuring the fair value of an asset or liability the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note 18 on Financial Instruments and Risk Management.

Selene Midco Limited

Notes (continued)

2 Significant accounting policies (continued)

New and amended standards adopted by the Company:

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

IFRS 15 "Revenue from Contracts with Customers"

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

IFRS 9 "Financial Instruments"

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

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

Standards issued but not yet effective

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

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

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

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

The Group has completed its assessment of the potential impact of the first-time adoption of IFRS 16 as of 1 January 2019. The expected impact of adoption is recognition of a lease obligation of £6,423,000 and a corresponding right of use asset; recognised in fixed assets to the extent it is not already included in property, plant and equipment held at fair value. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions including the groups borrowing rate at 1 January 2019

Selene Midco Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvements with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investments in subsidiaries are carried at cost less impairment in the financial statements of the company.

Pooling of interests acquisition method

Where an acquisition occurs of a business that is under common control it is outside of the scope of IFRS3 *Business combinations*. IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors* – requires that in the absence of specific guidance in IFRS, management shall use its judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement, in the absence of IFRS dealing with similar or related issues or guidance within the *Conceptual Framework for Financial Reporting* ('Framework'), management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the Framework or any other IFRS or Interpretation. On this basis the management have chosen to apply the pooling of interests method in accounting for business combinations involving entities under common control. Further detail on the application of this method in the current period is set out in note 17.

Selene Midco Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

Leases

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's balance sheet.

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

Finance income and finance costs

The Group's finance income and finance costs include:

- interest expense;
- interest income;
- the net interest income or expense arising on pension assets; and
- the net gain or loss on hedging instruments that are recognised in profit or loss.

Interest income or expenses is recognised using the effective interest method.

Revenue

Revenue represents sales (excluding VAT and similar taxes) of goods and services net of trade discounts provided in the normal course of business.

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, and other revenue. Room and Food and Beverage revenue is recognised when the control over good/or services is transferred to the customer, rooms are occupied and food and beverages are sold.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are recognised at cost on acquisition.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Property, plant and equipment are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient

Selene Midco Limited

Notes (continued)

2 Significant accounting policies (continued)

Property, plant and equipment (continued)

frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

Depreciation has not been charged on the freehold and leasehold properties held by the Group as the residual values of those properties exceeds the carrying values.

As a result, on an annual basis the group estimates the recoverable amount of its hotel properties based on the higher of their net realisable values or the present values of future cash flows expected to result from their use. Where the recoverable amount is less than the carrying amount of the hotel properties the group recognises an impairment loss in the profit and loss account.

No depreciation is charged on assets under the course of construction.

Other fixed assets are stated at cost less accumulated depreciation. No depreciation is charged on archive materials however as they are maintained in good condition and they are expected to have a high residual value.

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

Plant and machinery	between 2 and 20 years
Fixtures and fittings	between 2 and 20 years
Short leasehold land buildings	between 1 and 5 years
Structural improvements	25 years

Intangible assets

Intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, and is recognised in the income statement.

Selene Midco Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

Intangible assets (continued)

The estimated useful life for the current and comparative year of intellectual property is 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill

Goodwill arising on the acquisition of a business represents the excess of the acquisition cost over the fair value of the identifiable net assets when they were acquired. Goodwill is measured at cost less accumulated impairment losses.

Impairment

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Investments

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

Inventories

Inventories are valued at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables are measured at their nominal amount less any allowance for doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

Selene Midco Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less.

The Group does not hold any cash equivalents, all cash is held at bank.

In the statement of cash flows cash and cash equivalents are shown net of short-term overdrafts which are repayable on demand.

Taxation

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

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

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

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

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

Defined contribution plans

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

Selene Midco Limited

Notes *(continued)*

2 Significant accounting policies *(continued)*

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned to date, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Financial instruments

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

(i) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Selene Midco Limited

Notes (continued)

2 Significant accounting policies (continued)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

Impairment of financial assets

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

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

(ii) Financial liabilities

Initial recognition and measurement

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

Subsequent measurement – loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or

Selene Midco Limited

Notes (continued)

2 Significant accounting policies (continued)

Financial liabilities (continued)

loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

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

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary dividends are recognised in the period in which they are paid to shareholders.

Provisions and contingent liabilities

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of that outflow can be measured reliably. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

3 Revenue

	2018 £'000	2017 £'000
Rooms	69,820	2,994
Food and Beverage	28,154	1,192
Other	9,670	300
	<hr/>	<hr/>
	107,644	4,486
	<hr/>	<hr/>

All revenue arises in the United Kingdom.

Selene Midco Limited

Notes (continued)

4 Staff numbers and costs

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

	2018 No.	2017 No.
Hotel and administration	1,033	1,004

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	28,632	1,252
Social security costs	2,316	85
Pension costs	1,030	43
	31,978	1,380

	2018 £'000	2017 £'000
Remuneration of directors		
Director emoluments	-	-
Company contribution to pension costs	-	-
	-	-

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

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

Selene Midco Limited

Notes (continued)

5 Operating profit

	2018 £'000	2017 £'000
Operating profit is stated after charging/(crediting):		
Depreciation	9,529	461
Amortisation of intangible fixed assets	450	22
Operating leases payments – minimum lease payments	826	52
Operating sublease payments received	(142)	(22)
Foreign exchange gain	(141)	(5)
Auditor's remuneration		
- Audit of group, company and subsidiary financial statements	134	116
- Tax advisory services	110	59

6 Revaluation

	2018 £'000	2017 £'000
(Reversal of impairment)/impairment of land and buildings	(17,270)	17,270
(Reversal of impairment)/impairment of plant and equipment	(3,450)	11,209
	<u>(20,720)</u>	<u>28,479</u>

In the prior year an impairment of £17,270,000 was recognised in relation to land adjacent to the Berkeley Hotel which is under development, following the demolition of the building on that land. This was reversed this year as the value of the property increased from £25,100,000, to £53,500,000.

Certain plant and equipment was also impaired following the valuation of property, plant and equipment by Jones Lang LaSalle carried out for 31 December 2018. This impairment of £769,000 was offset by a reversal of the prior year impairment of £4,219,000 as the value of properties increased year on year.

The recoverable amounts of the assets were calculated based on their fair value less costs to sell within the valuations performed by Jones Lang LaSalle and is considered to be a level 3 fair value measurement. Further details on the assumptions used are set out in note 10.

Selene Midco Limited

Notes (continued)

7 Finance costs

	2018 £'000	2017 £'000
Interest expense on bank loans and borrowings	15,767	687
Interest arising on pension liabilities	47	-
Interest arising on related party loan	378	-
Amortisation of loan issue expenses	56	75
	<u>16,248</u>	<u>762</u>

On 12 December 2017 the Group entered into a new £392,400,000 Master Murabaha Agreement with Barwa Bank with final maturity of 31 October 2022. Arrangement fees incurred in relation to this new facility of £258,000 were capitalised and in line with the group's accounting policies are amortised over the period of the loan using the effective interest method. £56,000 was amortised in the year ended 31 December 2018.

8 Income taxes

(a) Amounts recognised in income statement

	2018 £'000	2017 £'000
Current tax		
UK corporation tax charge	1,142	25
Adjustment in respect of previous period	(264)	
Total current tax	<u>878</u>	<u>25</u>
Deferred tax		
Origination and reversal of temporary differences	2,386	(4,282)
Origination and reversal of temporary differences – pension	174	-
Impact of changes in tax rates	(96)	500
Total deferred tax	<u>2,464</u>	<u>(3,782)</u>
Income tax charge/(credit)	<u>3,342</u>	<u>(3,757)</u>

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

Selene Midco Limited

Notes (continued)

8 Income taxes (continued)

(b) Group Reconciliations of effective tax

	2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before tax	25,593	(29,140)
Profit/(loss) on ordinary activities before tax at the standard corporation tax rate in UK of 19.00% (2017: 19.25%)	4,863	(5,609)
Expenses not deductible for tax purposes	603	1,243
Reversal of prior year impairment	(3,937)	-
Transfer pricing adjustment	396	17
Impact of changes in tax rates	(96)	500
Group relief surrendered	-	177
Capital allowances in excess of depreciation	250	(77)
Adjustment in respect of prior periods	221	-
Non qualifying depreciation	235	-
Disallowable interest in relation to corporation interest restriction	798	-
Other	9	(8)
At the effective income tax rate of 19% (2017: 19.25%)	3,342	(3,757)

(c) Group Movements in deferred tax balances

	31 December 2017 £'000	Recognised in profit and loss £'000	Recognised in OCI £'000	31 December 2018 £'000
Deferred tax asset				
Property, plant and equipment	2,935	(2,024)	-	911
Tax value of losses carried forward	294	-	-	294
Other temporary differences	45	(42)	-	3
Defined benefit pension scheme	430	(174)	(104)	152
Total	3,704	(2,240)	(104)	1,360

Selene Midco Limited

Notes (continued)

8 Income taxes (continued)

(c) Group Movements in deferred tax balances (continued)

	31 December 2017 £'000	Recognised in profit and loss £'000	Recognised in OCI £'000	31 December 2018 £'000
Deferred tax liabilities				
Property, plant and equipment - capital gains	(88,127)	(224)	(2,886)	(91,237)
Total	(88,127)	(224)	(2,886)	(91,237)

(d) Group unrecognised deferred tax assets

The following deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom:

	2018 £'000	2017 £'000
Deferred tax assets		
Tax losses	-	83
Total	-	83

9 Dividends

No dividend was paid during the period (2017: £Nil).

Selene Midco Limited

Notes (continued)

10 Property, plant and equipment

Group	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Structural Improvements £'000	Assets under the course of construction £'000	Fixtures fittings plant and machinery £'000	Group Total £'000
Cost						
At 31 December 2017	418,459	280,223	16,829	26,156	45,033	786,700
Additions	-	-	-	20,514	-	20,514
Transfers to completed assets	-	-	2,599	(12,151)	9,552	-
Disposals	-	(549)	(50)	-	(546)	(1,145)
Depreciation	-	-	(801)	-	(8,728)	(9,529)
Revaluation through OCI	7,424	(3,278)	794	-	-	4,940
Revaluation/Impairment through P&L	17,270	-	-	-	3,450	20,720
At 31 December 2018	443,153	276,396	19,371	34,519	48,761	822,200
Depreciation						
At 31 December 2017	-	-	-	-	-	-
Charge for the period	-	-	801	-	8,728	9,529
Impairment	-	-	-	-	769	769
Revaluation	-	-	(801)	-	(9,497)	(10,298)
At 31 December 2018	-	-	-	-	-	-
Net book value						
At 31 December 2018	443,153	276,396	19,371	34,519	48,761	822,200
At 31 December 2017	418,459	280,223	16,829	26,156	45,033	786,700

Selene Midco Limited

Notes (continued)

10 Property, plant and equipment (continued)

Following the valuation of property, plant and equipment by Jones Lang LaSalle carried out for 31 December 2018, an impairment of plant and equipment of £769,000 was recognised in the income statement.

If property, plant and equipment were measured using the cost model, the carrying amounts would be as follows:

	31 December 2018 £'000	31 December 2017 £'000
Cost	849,246	833,406
Accumulated depreciation and impairment	(60,331)	(84,580)
Net book value	788,915	748,826

Description of valuation techniques used and key inputs to valuation on property plant and equipment:

Property type	Valuation technique	Significant unobservable inputs	2018	2017
Hotels	Discounted cash flow	Discount rate	6.50%-6.65%	6.14%-6.39%
		Terminal cap rate	4.25%-4.65%	4.25%-4.5%
		Occupancy	76%-89%	77%-85%
		ADR growth	2.5%	2.5%
		FF&E maintenance	4%-5%	4%-5%
		Capital deductions	Nil - £10,000,000	Nil - £2,000,000
Property under development	Special Purchaser, discounted cash flow and market value benchmarking	Planning	Granted 2008	Granted 2008
		Discount rate	7.25%	6.64%
		Terminal cap rate	4.25%	4.25%
		Occupancy	85%	77.8%
		ADR growth	2.5%	2.5%
		Residential benchmarked gross price	£3,789 - £5,579 per sqft	£3,789 - £5,579 per sqft
		Capital deductions	£71,000,000	£119,000,000
		Acquisition costs	16.7%	11.25%

Property under development (Goldrange) relates to land within land and buildings and assets under the course of construction, with a special purchaser assumption that the asset can only be operated in conjunction with the Berkeley Hotel under the current planning permission.

Significant increases (decreases) in ADR growth and occupancy in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in capital deductions and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Changes in planning status may also result in a significant change in the fair value of property under development.

Selene Midco Limited

Notes (continued)

10 Property, plant and equipment (continued)

The valuation technique used to derive the Goldrange property is gross development value of combined value of the Berkeley site less the valuation of The Berkeley Hotel. The special purchaser assumption is that the asset can only be operated in conjunction with the Berkeley Hotel under the current planning permission which includes the value attributed to current extension plans.

The estimates used by Jones Lang LaSalle to value the Berkeley Hotel included capital expenditure deductions of £17,800,000 (2017: nil) to arrive at the reported valuation of £472,000,000 (2017: £470,200,000). These capital expenditure deductions were previously included in the valuation of the Goldrange property whose reported valuation of £53,000,000 (2017: 25,100,000) has increased in the period due to the reallocation. Due to the properties being valued on a combined basis, there is no impact on the overall value from the change in allocation.

11 Intangible assets

Reconciliation of carrying amount

	Intellectual property £'000 Group
Cost	
At 31 December 2017	4,500
	<hr/>
At 31 December 2018	4,500
	<hr/>
<i>Accumulated amortisation and impairment losses</i>	
	£'000
At 31 December 2017	1,800
Amortisation	450
	<hr/>
At 31 December 2018	2,250
	<hr/>
Net book value	
At 31 December 2017	2,700
	<hr/>
At 31 December 2018	2,250
	<hr/>

In 2013 The Berkeley Hotel Limited, then a subsidiary undertaking of Coroin Limited, purchased back certain intellectual property from Maybourne Management Services Limited, a company with common directors, for £4,500,000, being its estimated fair value. The fair value was calculated using the Royalty Relief approach which is widely considered to be the most appropriate means of determining the value of intellectual property. On 12 December 2017 Selene Holdings Limited acquired the share capital of The Berkeley Hotel Limited and together with it the intellectual property.

Selene Midco Limited

Notes (continued)

12 Goodwill

	31 December 2018 £'000	31 December 2017 £'000
<i>Cost</i>		
At beginning of the year/at acquisition (note 17)	45,989	45,989
	<hr/>	<hr/>
<i>Carrying amount</i>		
At end of the period	45,989	45,989
	<hr/>	<hr/>

The goodwill recognised relates to the goodwill created on the purchase of the hotels as cash generating units at fair market value in 2015. The goodwill relates to the hotels only and no goodwill has been recognised on the other assets held by the Group. The Group accounts for acquisitions using the pooling acquisition method as outlined in IFRS 3 Business Combinations.

The recoverable amount of the cash generating units is based on the fair value, less cost of disposal estimate. Valuations were carried out by independent external valuers. The Group tests goodwill annually for impairment. At 31 December 2018, the fair value, and hence the recoverable amount were deemed to be significantly higher than the carrying amount of the Group as cash generating units. There is no reasonable foreseeable change in assumptions that would adversely impact on the carrying value of goodwill. The directors conclude that the carrying value of goodwill is not impaired at 31 December 2018.

13 Inventory

	31 December 2018 £'000	31 December 2017 £'000
Raw materials and consumables	3,879	2,580
	<hr/>	<hr/>

The directors are of the opinion that the net realisable value of inventory is greater than the carrying value. There was no material write down of inventories to net realisable value during the period ended 31 December 2018.

Selene Midco Limited

Notes (continued)

14 Trade and other receivables

	31 December 2018 £'000	31 December 2017 £'000
Trade receivables	11,544	6,845
Amounts owed by related parties (note 21)	4,525	10,189
Other receivables	670	375
Prepayments	1,693	2,014
	<hr/>	<hr/>
	18,432	19,423
	<hr/>	<hr/>

15 Trade and other payables

	31 December 2018 £'000	31 December 2017 £'000
Trade payables	4,101	6,344
Amounts owed to parent undertakings (note 21)	17,368	279,806
Amounts owed to related parties (note 21)	888	1,002
Other tax and social security	3,204	729
Corporation tax (note 8)	1,386	508
Other payables	810	760
Accruals	5,959	5,564
Capital accruals	965	911
	<hr/>	<hr/>
	34,681	295,624
	<hr/>	<hr/>

Selene Midco Limited

Notes (continued)

16 Loans and borrowings

	31 December 2018 £'000	31 December 2017 £'000
Non current liabilities		
Secured bank loans	380,688	386,410
	380,688	386,410
	31 December 2018 £'000	31 December 2017 £'000
Current liabilities		
Secured bank loans	5,777	5,777
Accrued interest	2,444	687
	8,221	6,464

Prior to acquisition of the new subsidiaries, on 12 December 2017 the new subsidiaries entered into a £392,446,000 Master Murabaha Agreement with Barwa Bank with final maturity of 31 October 2022. Offset against this amount was £258,000 of directly attributable prepaid fees which are amortised over the life of the agreement. £56,000 was amortised in the year ended 31 December 2018.

The obligation is split between The Berkeley Hotel Limited and The Connaught, £234,160,000 (2017: £237,659,000) and £152,508,000 (2017: £154,787,000) respectively.

The new facility is repayable in October 2022, with £5,777,000 due annually until October 2022. The security package for the bank loans comprises cross company guarantees supported by debentures giving a fixed and floating charge over all the assets of the group.

Selene Midco Limited

Notes (continued)

17 Capital and reserves

(a) Called up share capital

	31 December 2018 £'000	31 December 2017 £'000
Share capital - group		
Authorised:		
279,805,523 ordinary shares of £1	279,806	-
Issued equity:		
Called up, allotted and fully paid		
279,805,523 ordinary share of £1	279,806	-

On incorporation the company issued 1 share for £1 cash consideration.

On 7 December 2018 279,805,522 ordinary shares of £1 each were issued to Selene S.A.R.L in order to capitalise the debt in the amount of £279,805,522 that was owed by the Group.

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

(b) Pooling acquisition method reserve

On 12 December 2017, the Group acquired 100% of the ordinary share capital in The Berkeley Hotel Limited, The Connaught Hotel Limited and Maybourne Hotels Limited. As these entities were under the common control of parent entity Constellation Hotel Holdings Ltd S.C.A. the pooling of interests method of acquisition accounting (pooling method) has been applied. The following accounting policy choices were applied:

- (i) The acquired businesses have been accounted for and consolidated from the date of acquisition.
- (ii) Distributable reserves for the acquired companies have been reset to nil.
- (iii) The values attributed to assets and liabilities acquired, including goodwill are those included in the books of parent Constellation Hotel Holdings Ltd S.C.A.

These accounting policy choices were made to facilitate the best use of the financial statements for the primary user of the financial statements being Constellation Hotel Holdings Ltd S.C.A.

Under the application of Companies Act 2016, as the group has acquired assets from another group entity for a price less than the fair value of those assets, a deemed capital contribution of £116,796,000 has been recognised directly in equity.

Under the pooling method of acquisition accounting a pooling reserve has been recognised of £59,287,000 being the difference between the fair value of consideration paid plus the deemed capital contribution and the acquired balances recognised on acquisition after pooling method adjustments.

There was no change to this reserve in the current year and the accounting policy described above and in the notes on page 43, relate to prior year.

Selene Midco Limited

Notes (continued)

17 Capital and reserves (continued)

(b) Pooling acquisition method reserve (continued)

	Subsidiary Book value £'000	Pooling method adjustment £'000	Recognised on acquisition £'000	Fair value adjustment £'000	Fair value £'000	Notes
31 December 2017	£'000	£'000	£'000	£'000	£'000	
Goodwill	-	45,989	45,989			(i)
Intangibles	2,700	-	2,700			
PP&E	406,891	341,936	748,827			(i)
Trade and other receivables	77,872	-	77,872			
Inventories	2,581	-	2,581			
Cash and cash equivalents	6,106	-	6,106			
Deferred tax	(19,644)	(58,129)	(77,773)			(i)
Loans and borrowings	(392,874)	-	(392,874)			
Employee benefits	(2,530)	-	(2,530)			
Trade and other payables	(15,312)	-	(15,312)			
Current tax payable	(508)	-	(508)			
Post-acquisition trade adjustment	685	-	685			(ii)
Total at acquisition	65,967	329,796	395,763	59,287	455,050	
Deemed capital contribution					116,796	
Consideration paid					338,254	
Total fair value as at 31 December 2017					455,050	
Net assets on acquisition as at 31 December 2017					(65,967)	
Pooling valuation uplift as at 31 December 2017					(329,796)	
Pooling reserve balance on acquisition as at 31 December 2017					59,287	

- i) The values attributed to assets and liabilities acquired, including goodwill are those included in the books of parent Constellation Hotel Holdings Ltd S.C.A.
- ii) Due to the group not performing a financial statement close process at the date of disposal, an estimate of the trade between the acquisition date and the 31 December 2017 was used to approximate the net asset of the businesses acquired at the date of acquisition.

Selene Midco Limited

Notes (continued)

18 Financial instruments and risk management

(a) Accounting classifications and fair value

The following tables show the carrying amount of financial assets and liabilities including their values in the fair value hierarchy. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				
	Loans and Receivables £'000	Liabilities at Amortised cost £'000	Fair value hedging instruments £'000	Total carrying amount £'000	Fair value £'000
31 December 2018					
Trade receivables	11,544	-	-	11,544	11,544
Amounts owed by related parties	4,525	-	-	4,525	4,525
Cash and cash equivalents	14,274	-	-	14,274	14,274
Trade payables	-	(4,101)	-	(4,101)	(4,101)
Amounts owed to related parties	-	(888)	-	(888)	(888)
Amounts owed to parent undertakings	-	(17,368)	-	(17,368)	(17,368)
Secured bank loans	-	(388,909)	-	(388,909)	(388,909)
	30,343	(411,266)	-	(380,923)	(380,923)

Selene Midco Limited

Notes (continued)

18 Financial instruments and risk management (continued)

(a) Accounting classifications and fair value (continued)

	Carrying amount				
	Loans and Receivables £'000	Liabilities at Amortised cost £'000	Fair value hedging instruments £'000	Total carrying amount £'000	Fair value £'000
31 December 2017					
Trade receivables	6,845	-	-	6,845	6,845
Amounts owed by related company	10,189	-	-	10,189	10,189
Cash and cash equivalents	6,106	-	-	6,106	6,106
Trade and other payables	-	(14,816)	-	(14,816)	(14,816)
Amounts owed to parent undertaking	-	(280,808)	-	(280,808)	(280,808)
Secured bank loans	-	(392,874)	-	(392,874)	(392,874)
	23,140	(688,498)	-	(665,358)	(665,358)

Selene Midco Limited

Notes (continued)

18 Financial instruments and risk management (continued)

(a) Accounting classifications and fair value (continued)

Estimation of fair values

The principal methods and assumptions used in estimating the fair values of financial assets and liabilities are explained below.

Cash and cash equivalents including the short-term bank deposits

For short term bank deposits and cash and cash equivalents, all of which have a maturity of less than three months, the carrying value is deemed to reflect a reasonable approximation of fair value.

Trade and other receivables/payables

For the receivables and payables with a remaining term of less than one year or on demand balances, are evaluated by the Group based on individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.

Loans

For bank loans and borrowings the fair value is calculated based on discounted cash flow techniques.

(b) Financial risk management

The Group is exposed to various financial risks that include credit risk, liquidity risk and market risk. The Group has a risk management framework in place which seeks to limit the impact of these risks on the financial performance of the group. It is the policy of the Group to manage these risks in a non-speculative manner.

This note presents information about the group's exposure to each of the above risks and the objectives, policies and processes for measuring and managing the risks. Further quantitative and qualitative disclosures are included throughout this note.

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk

Exposure to credit risk

Credit risk arises from granting credit to customers and from investing cash and cash equivalents with banks and financial institutions.

Selene Midco Limited

Notes (continued)

18 Financial instruments and risk management (continued)

(c) Credit risk (continued)

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk or dependence on individual customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Cash and short term bank deposits

The Group is exposed to credit risk from the counterparties with whom it places its bank deposits. The group is satisfied that the credit risk associated with its deposits is not significant.

The carrying amount of financial assets, net of impairment provisions, represents the Group's maximum credit exposure.

Trade receivables

The Group has detailed procedures for monitoring and managing the credit risk related to trade receivables. Trade receivables are monitored by review of aged debtor reports by management.

At 31 December 2018	Gross £'000	Impairment £'000	Net receivables £'000
Group			
Not past due	9,063	-	9,063
Past due < 90 days	1,170	-	1,170
Past due > 90 days	1,330	(19)	1,311
	11,563	(19)	11,544

At 31 December 2017	Gross £'000	Impairment £'000	Net receivables £'000
Group			
Not past due	6,893	(48)	6,845
Past due < 90 days	3	(3)	-
Past due > 90 days	213	(213)	-
Total	7,109	(264)	6,845

Debts are classified as past due if they are over 30 days aged.

Selene Midco Limited

Notes *(continued)*

18 Financial instruments and risk management *(continued)*

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as they fall due. The Groups' largest expenses related to the ongoing development works, which are fully funded by the loans advanced by the parent company and the Group can arrange an overdraft facility if needed.

Bank loans

Interest of £2,444,000 was accrued for the period from 27 October to 31 December 2018 as disclosed in note 16 (2017: £687,000 for the period from acquisition to 31 December 2017).

Overdraft facilities

The Group has no undrawn overdraft or loan facilities.

Selene Midco Limited

Notes (continued)

18 Financial instruments and risk management (continued)

(d) Liquidity risk (continued)

Contractual maturities

The following are the contractual maturities of the group financial liabilities, including estimated interest payments.

Group	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 - 12 months £'000	1 - 2 Years £'000	2 - 5 years £'000	More than 5 years £'000
At 31 December 2018							
Secured bank loans (excl. arrangement fees)	386,668	(440,361)	(6,842)	(12,657)	(19,331)	(401,531)	-
Trade and other payables	34,681	(34,681)	(34,681)	-	-	-	-
	421,349	(475,042)	(41,523)	(12,657)	(19,331)	(401,531)	-
Group	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 - 12 months £'000	1 - 2 Years £'000	2 - 5 years £'000	More than 5 years £'000
At 31 December 2017							
Secured bank loans (excl. arrangement fees)	392,446	(458,271)	(5,151)	(12,759)	(19,499)	(420,862)	-
Trade and other payables	295,624	(295,624)	(295,624)	-	-	-	-
	688,070	(753,895)	(300,775)	(12,759)	(19,499)	(420,862)	-

Contractual cash flows may become payable in advance of 2022 if certain contingent events occur such as default on bank loans – failure to pay interest or meet the covenant requirements. They are not expected to occur.

Selene Midco Limited

Notes *(continued)*

18 Financial instruments and risk management *(continued)*

(e) Market risk

Market risk is the risk that changes in market prices and indices, such as foreign exchange rates, and interest rates will affect the group and company's income or the value of its holdings of financial instruments. The Group is not currently exposed to interest rate risk as all borrowings are subject to fixed interest rates. Management believe exposure to foreign exchange rates is minimal as the vast majority of good and services are sourced in the United Kingdom

(f) Foreign exchange rate risk

The Group is not exposed to material translation foreign exchange rate risk on its hotel operations as all of its operations are within the UK.

(g) Interest rate risk

The Group is not currently exposed to interest rate risk as all borrowings are subject to fixed interest rates.

Selene Midco Limited

Notes (continued)

19 Commitments

(a) Operating Leases

Non-cancellable operating lease rentals payable on certain plant and machinery, motor fleet contract hire and leased buildings. These represent the minimum future lease payments in aggregate that the group is required to make under existing lease arrangements.

	31 December 2018 £'000	31 December 2017 £'000
Less than one year	754	547
Between one and five years	912	315
Beyond five years	18,911	2,196
	<hr/>	<hr/>
	20,577	3,058
	<hr/>	<hr/>

The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 December 2018 is £Nil (2017: £128,000).

(b) Capital expenditure commitments

The Group has the following commitments for future capital expenditure under its contractual arrangements.

	31 December 2018 £'000	31 December 2017 £'000
Authorised and contracted for	2,088	3,064
	<hr/>	<hr/>
	2,088	3,064
	<hr/>	<hr/>

Selene Midco Limited

Notes (continued)

20 Employee benefits

The Coroin Limited Group and Selene Midco Limited Group operate two pension schemes, a defined benefit scheme and a defined contribution scheme. The defined benefit scheme, The Maybourne Hotels Group Pension and Life Insurance Scheme, which has two sections - Staff and Senior Staff section, closed to new entrants with effect from 1 August 2006. The Maybourne Stakeholder Scheme, a defined contribution scheme, was introduced on 1 August 2006 and is open to all staff if they meet the eligibility criteria.

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

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

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

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

Management intend for the Scheme to be operated in this fashion with additional payment obligations above future service contributions being met initially by Coroin Limited on behalf of the Coroin Employers and by The Berkeley Hotel Limited on behalf of the Selene Employers. Accordingly, Coroin Limited recognises 49.5% of the Scheme net pension obligation in its balance sheet and 50.5% of the Scheme net pension obligation (along with the associated deferred tax) were transferred through equity to the balance sheet of The Berkeley Hotel Limited at the year ended 31 December 2017. Full disclosures in relation to the scheme in accordance with the requirements of IAS 19 are therefore provided below.

Selene Midco Limited

Notes (continued)

20 Employee benefits (continued)

	31 December 2018 £'000	31 December 2017 £'000
Total market value of pension scheme		
Assets	40,926	41,466
Present value of defined benefit		
Obligation	(41,818)	(43,996)
	<hr/>	<hr/>
Excess of scheme liabilities over assets	(892)	(2,530)
	<hr/>	<hr/>
Employee retirement benefit		
(liability)/asset before tax	(892)	(2,530)
Related deferred tax asset/(liability)	152	430
	<hr/>	<hr/>
Employee retirement benefit		
(liability)/asset after tax	(740)	(2,100)
	<hr/>	<hr/>

The pension contributions to the defined benefit scheme for both Groups combined are assessed in accordance with the advice of an independent professionally qualified actuary. The most recent actuarial valuation was carried out at 31 March 2015 and showed that the market value of the scheme's assets was sufficient to cover 87% of the accrued liabilities. The valuation recommended an overall monthly contribution cap of £345,906 (2017: £332,282) from 30 June 2016 to 30 June 2018, further extended to 31 December 2018, which includes a contribution for future accrual of benefit at a rate of 35.3% (25.8% to June 2016) of pensionable salaries, contribution in respect of administration and other costs of £23,661 (2017: £22,729) and an additional contribution to the amount of £345,906 minus the above two contributions (2017: £332,282: minus the above two contributions). The valuations employed for IAS 19 purposes have been based on the most recent funding valuations (date of which is noted above) adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2018 and to take account of financial conditions at this date. They have been completed using the projected unit method and assets for this purpose have been valued at market value.

Selene Midco Limited

Notes (continued)

20 Employee benefits (continued)

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January	43,996	-	(41,466)	-	2,530	-
Included in profit and loss						
Current service costs	409	-	-	-	409	-
Interest cost/(income)	1,147	-	(1,100)	-	47	-
Guaranteed Minimum Pensions	332	-	-	-	332	-
	1,888	-	(1,100)	-	788	-
Included in OCI						
Remeasurements:						
- Actuarial gain/(loss) arising from:						
- demographic assumptions	(874)	-	-	-	(874)	-
- financial assumptions	(2,077)	-	-	-	(2,077)	-
- experience adjustment	640	-	-	-	640	-
- Return on plan assets excluding interest income	-	-	1,700	-	1,700	-
	(2,311)	-	1,700	-	(611)	-

Selene Midco Limited

Notes (continued)

20 Employee benefits (continued)

Movement in net defined benefit liability (continued)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	31 December 2018 £'000	31 December 2017 £'000	31 December 2018 £'000	31 December 2017 £'000	31 December 2018 £'000	31 December 2017 £'000
Other						
Transfer of pension obligation and plan assets from Coroin Limited	-	43,996	-	(41,466)	-	2,530
Contributions paid by the employer	-	-	(2,095)	-	(2,095)	-
Benefits paid	(1,755)	-	1,755	-	-	-
Service cost	-	-	280	-	280	-
	<u>(1,755)</u>	<u>43,996</u>	<u>(60)</u>	<u>(41,466)</u>	<u>(1,815)</u>	<u>2,530</u>
Balance at 31 December	41,818	43,996	(40,926)	(41,466)	892	2,530

Selene Midco Limited

Notes (continued)

20 Employee benefits (continued)

Both Coroin Group and Selene Midco Group expect to pay a total of £4.24 million in contributions to the defined benefit plans in 2019. The Berkeley Hotel Limited, on behalf of Selene employers, is expected to pay £0.3 million in respect of the contribution for future accrual of benefit and £1.8 million in respect of additional contribution.

(a) Plan assets

The fair value of the plans' assets at 31 December is analysed as follows:

	31 December 2018 £'000	31 December 2017 £'000
Investment funds	24,585	24,942
Debt instruments	14,682	15,151
Other	1,659	1,373
	40,926	41,466

(b) Defined benefit obligation

(i) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 December 2018	31 December 2017
Discount rate	3.00%	2.65%
Inflation rate (RPI)	3.35%	3.30%
Inflation rate (CPI)	2.35%	2.30%
Future pension growth	3.25%	3.20%
Rate of increase of deferred pensions	-	-
Life expectancy at age 65 for pensioners currently aged 65 (years)		
Female	24.2	24.5
Male	21.5	22.0
Life expectancy at age 65 for active members currently aged 45 (years)		
Female	25.4	25.7
Male	22.6	23.1

Selene Midco Limited

Notes *(continued)*

20 Employee benefits *(continued)*

At 31 December 2018, the weighted average duration of the defined benefit obligation was 20 years (2017: 20 years).

(ii) Sensitivity analysis

Increasing the discount rate applied by 0.25% would result in a £1.6 million decrease in the net pension liability.

Decreasing the discount rate applied by 0.25% would result in a £1.6 million increase in the net pension liability.

Increasing the inflation rate applied by 0.25% would result in a £1.5 million increase in the net pension liability.

Decreasing the inflation rate applied by 0.25% would result in a £1.5 million decrease in the net pension liability.

Within Selene Midco Limited Group pensions for 49 employees (2017: 51 employees) are funded through the defined contribution scheme. The defined contribution pension cost for the year amounted to £194,870 (2017: £180,516). From 1 April 2014 the Coroin Limited Group introduced the government led Auto-enrolment scheme, a contribution scheme, whereby all employees who are not members of any pension scheme would automatically be enrolled, unless opted out. The Auto-enrolment contribution pension cost for the year amounted to £466,164 (2017: £293,067). Selene Holdings Limited Group actively encourages staff to join the scheme as it believes that it is an important element of the remuneration package. Pensions for 733 employees (2017: 728 employees) are funded through the defined contribution scheme.

21 Related party disclosures

(a) Transactions with related parties

One director of Selene Midco Limited is a director of Hume Street Management Consultants Limited and Cottage Linen Limited.

Fees (excluding VAT) payable to Hume Street Management Consultants Limited, which acted as consultants to subsidiaries of the Group during the year, amounted to £5,000,000 and were born by Coroin Limited, a sister company until 12 December 2017. In the current year £5,000,000 was charged by Hume Street Management Consultants Limited to Maybourne Hotels Limited of which £1,846,000 has been recharged to Coroin Limited.

In addition, at 31 December 2018 an amount of £125,000 (2017: £100,000) remains due from Hume Street Management Consultants Limited in relation to services rendered to them during the year.

At 31 December 2018, an amount of £294,000 remains due from Cottage Linen Limited in relation to the acquisition of the company by common director (2017: £80,000).

(b) Key management personnel transactions

Total compensation of key management personnel (including executive directors) in the period amounted to £1,273,000 (2017: £67,000).

Selene Midco Limited

Notes (continued)

21 Related party disclosures (continued)

(c) Transactions with related parties (continued)

Related party Asset/(liability)	Relationship	Opening balance 31/12/2017 £'000	Loans (received)/ advanced £'000	Sales £'000	Purchases £'000	Payments £'000	Closing balance 31/12/2018 £'000
Hume Street Management Consultants Limited	Common director	100	-	85	5,176	(5,236)	125
Lomakx Limited	Common director	840	-	-	-	(840)	-
Cottage Linen Limited	Common director	80	214	-	-	-	294
Coroin Limited	Common director	1,288	-	22	-	(1,288)	22
Coroin Limited	Common director	-	-	-	(132)	-	(132)
MHG Senior Borrower Limited	Common director	3,551	-	-	-	(3,551)	-
Claridge's Hotel Limited	Common director	4,001	-	3,905	-	(4,001)	3,905
Claridge's Hotel Holding Limited	Common director	329	-	11	-	(329)	11
Claridge's Hotel Limited	Common director	(82)	-	-	(720)	82	(720)
41-43 Brook Street LLP	Common director	(920)	-	-	(36)	920	(36)
41-43 Brook Street LLP	Common director	-	-	168	-	-	168
Selene S.A.R.L. (note e)	Parent	(279,806)	(17,368)	-	-	279,806	(17,368)

(d) Director Interests

The directors who held office at the end of the financial year had no interests in the ordinary shares, redeemable preference shares, special redeemable preference shares and convertible loan stock in the company at the start of the year and at the end of the year to 31 December 2018.

Selene Midco Limited

Notes *(continued)*

21 Related party disclosures *(continued)*

(e) Other related party transactions

On 12 December 2017 Selene S.A.R.L., the Company's immediate parent company, advanced £279,806,000 to The Group to acquire Maybourne Hotels Limited, The Berkeley Hotel Limited and The Connaught Hotel Limited from then a sister company MHG Senior Borrower Limited. The balance of that loan at 31 December 2017 was £279,806,000.

On 7 December 2018 279,805,522 ordinary shares of £1 each were issued to Selene S.A.R.L in order to capitalise the debt in the amount of £279,805,522 that was owed by the Group.

During the year Selene S.A.R.L loaned the Group £16,990,000 to finance the ongoing development works at The Berkeley Hotel Limited. The loan is interest bearing. Interest accrued at 31 December 2018 amounted to £378,000.

22 Subsequent events

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

23 Ultimate parent company

The company's ultimate parent company and controlling party is Prime Capital S.A., a company incorporated in Luxembourg. This is the largest group in which the results of the company are consolidated. The smallest group financial statements in which the company's results are consolidated is that of Constellation Hotel Holdings Ltd S.C.A.

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

24 Company notes

(a) Significant accounting policies

The individual financial statements of the company have been prepared in accordance with Companies Act 2006 and Financial Reporting Standard 101 "Reduced disclosure framework" ("FRS 101").

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

- a cash flow statement and related notes;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- certain comparative information; and
- the effects of new but not yet effective IFRSs.

As permitted by section 408(3) of the Companies Act 2006, the Company has elected not to present its own income statement for the year.

Significant accounting policies specifically applicable to the individual company financial statements and which are not reflected in the accounting policies for the Group financial statements are detailed below.

Selene Midco Limited

Notes (continued)

24 Company notes (continued)

(a) Significant accounting policies (continued)

i) **Investment in subsidiaries**

Investments in subsidiaries are carried at cost less accumulated impairment.

(b) Profit and loss account

Profit for the period ended 31 December 2018 was £nil (2017: £nil).

(c) Investments in subsidiaries

	31 December 2018 £'000	31 December 2017 £'000
Investment in shares in subsidiary undertakings	455,050	455,050

At 31 December 2018 the carrying amount of the investment in subsidiary undertakings was reviewed for impairment in accordance with our accounting policies. No impairment loss was recognised. A list of the entity's subsidiary undertakings is set out below.

None of the shares of the above subsidiary undertakings are listed. In the opinion of the directors the shares in the company's subsidiary and other group undertakings are worth at least the amounts at which they are stated in the balance sheet.

Selene Midco Limited

Notes (continued)

24 Company notes (continued)

(c) Investments in subsidiaries (continued)

The Company has a shareholding in the following principal companies:

Subsidiary undertaking	Country of Incorporation and operation	Activity	Shareholding (ordinary shares)
The Berkeley Hotel Limited	Great Britain	Hotel Operations	100% (direct)
The Connaught Hotel Limited	Great Britain	Hotel Operations	100% (direct)
Maybourne Hotels Limited	Great Britain	Hotel Management Services	100% (direct)
Connaught F&B Limited	Great Britain	Food and Beverage Operations	100% (indirect)
Goldrange Properties Limited	Great Britain	Ownership of Property	100% (indirect)
Centralglen Limited	Great Britain	Dormant company	100% (indirect)
The Opheans Limited	Great Britain	Dormant company	100% (indirect)
Headfort Hotel (Belgravia) Limited	Great Britain	Dormant company	100% (indirect)
Motcomb Trust Limited	Great Britain	Dormant company	100% (indirect)
The Worcester Building Company Limited	Great Britain	Dormant company	100% (indirect)
James Edward Limited	Great Britain	Dormant company	100% (indirect)
The Strand Power Company Limited	Great Britain	Dormant company	100% (indirect)
Beaufort Construction Limited	Great Britain	Dormant company	100% (indirect)
Stones Chop House Limited	Great Britain	Dormant company	100% (indirect)
The Claridge's Hotel Laundry Limited	Great Britain	Dormant company	100% (indirect)
Patrick Spitfire Limited	Great Britain	Dormant company	100% (indirect)
BP&S (1906) Limited	Great Britain	Dormant company	100% (indirect)
Q&M Limited	Great Britain	Dormant company	100% (indirect)
Project Castle Limited	Great Britain	Dormant company	100% (indirect)
Only G Limited	Great Britain	Dormant company	100% (indirect)
Speed 6060 Limited	Great Britain	Dormant company	100% (indirect)
The Connaught Hotel (52242) Limited	Great Britain	Dormant company	100% (indirect)
Mount Street Mansions Limited	Great Britain	Dormant company	100% (indirect)
The Minema Limited	Great Britain	Dormant company	100% (indirect)
The Berkeley Hotel (49907) Co. Limited	Great Britain	Dormant company	100% (indirect)

The registered office of all subsidiary undertakings is 41 – 43 Brook Street, Mayfair, London, W1K 4HJ.

(d) Related party transactions

The Company has a related party relationship with its fellow group undertakings, shareholders and directors of the company (note 21 above). In accordance with FRS 101, the Company has availed of the exemption from disclosing transactions with members of the Group where ownership is 100%.

There are no other related party transactions.