

REGISTERED NUMBER: 06223892 (England and Wales)

**ACE LIBERTY & STONE PLC**

**DIRECTORS' REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 APRIL 2018**



# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

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# ACE LIBERTY & STONE PLC

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### Company Information, Directors and Advisors

**Directors:** Dr Tony Ghorayeb - Non Executive Chairman  
Ismail Ghandour MBA - Chief Executive  
Mark Thomas MRICS, IRRV - Commercial Director  
Ivan Minter FCA - Finance Director  
Keith Pankhurst – Senior Independent Director  
Kayssar Ghorayeb - Non Executive Director  
Hikmat El-Rousstom - Non Executive Director

**Company Secretary:** International Registrars Limited

**Registered Number:** 06223892 (England and Wales)

**Registered Office:** Finsgate  
5-7 Cranwood Street  
London  
EC1V 9EE

**Bankers:** Lloyds Bank Plc  
10 Gresham Street  
London  
EC2V 7AE

**Auditors:** Jeffreys Henry LLP  
Finsgate, 5-7 Cranwood Street  
London, EC1V 9EE

**Registrars:** Share Registrars Limited  
The Courtyard  
17 West Street  
Farnham  
Surrey  
GU9 7DR

**Solicitors:** Bracher Rawlins LLP  
77 Kingsway  
London  
WC2B 6SR

Philip Ross Solicitors  
34 Queen Anne Street  
London  
W1G 8HE

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Chairman's Statement

The year under review has seen the Group advance significantly on a number of fronts. We have been active in the property market, purchasing properties in Barnstaple, Margate, Middlesbrough and Keighley during the year for a total consideration of £20.5million and negotiating three further purchases for completion shortly after the balance sheet date, in Oldham, Wigan and Leicester at a total cost of £10.7million. We have recently announced the exchange of contracts for the Mecca Bingo Hall in Chesterfield at a price of £4million. The total cost of these acquisitions was approximately £35million and the resultant annual rental income commanded by the full portfolio now substantially exceeds £5million. The front cover of this year's report graphically illustrates the Group's progress over the past six years.

As a listed company, Ace complies with IFRS requirements. This has resulted in substantial costs being charged against current year profits. The issue costs of the two Convertible Loan Notes are being written off over the two-year period to conversion, although the benefit to the Company of the properties acquired with the proceeds will be enjoyed for a significantly longer period. There is also a requirement to charge interest costs to Income and Expenditure account at a rate higher than that being paid to Loan Note holders and this further depresses reported profits by £140,000.

Taking into account these and other considerations, the directors have decided to expand the Key Performance Indicator section of the Strategic Report, which has been featured for the past four years, and show the principal statistics monitored by the Board in managing the Group's activities. My colleagues and I believe this is a valuable addition to the information revealed in statutory form as it permits additional understanding of the underlying business performance and the growth achieved over the past five years.

I am pleased to report that revenue for the year has increased to £3,515,088 from £2,632,219 in 2017. Although profit before tax has dropped from £1,122,317 in 2017 to £214,141 in the current year, the KPI report shows that the profit earned by the business before non-recurring income and overheads increased from £839,198 in 2017 to a current year value of £1,054,510.

The support of shareholders has again been invaluable. I mentioned last year the issue of a £10million Convertible Loan Note and during the year under review existing shareholders have responded magnificently to the issue of a 5% CLN accompanied by an entitlement to an equal number of Warrants to purchase 25p Ordinary Shares exercisable at 80p. £5.3million was raised which financed the ensuing property purchases.

For the fifth consecutive year the Company has rewarded shareholders with an increase in the annual dividend, which in 2018 amounted to 1.25p per share and benefitted shareholders by in excess of £500,000. With the expected growth of profits and cash flow, the directors intend to further reward shareholders in future. As a first step the Board has decided to increase the dividend payment frequency. Up to now the dividend has been declared annually and paid in July following the year end. In future it will be paid in three instalments; the first payment will be in October (halfway through the year); the second in April (at the end of the year); and the third in July following the year end (at the same time as the existing payment). This arrangement will benefit shareholders with an earlier receipt of the dividend and enable the Board to increase dividends more quickly than in the past by better utilisation of the Group's cash inflow.

The Group's property acquisition programme has been supported by the willingness of the Group's bankers to provide secured finance facilities. Additional borrowings have been made under the facility provided by Lloyds Bank plc and this now stands at £27 million. During the year, a relationship was established with Coutts & Co which has resulted in a facility of some £6 million being made available for the properties purchased in May and June 2018.

The directors expect to continue to drive the company forward on the same path. At the present time further, unannounced, transactions are under negotiation which will yet again yield further growth.

We go forward into the next twelve months with renewed enthusiasm and a determination to continue to enhance the value of our shareholders' investment.

Dr Tony Ghorayeb

Chairman

Date: 26 September 2018

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Corporate Governance Statement

The Board has put in place a framework for corporate governance which it believes is appropriate to the Company. The Company's ordinary shares are quoted on the NEX Growth Market and, as such, Ace Liberty & Stone plc is not required to comply with all aspects of the UK Corporate Governance Code. However, the Board is committed to maintaining the highest standards appropriate to a Company of this size and nature.

#### The Board

The Board comprises the Non-Executive Chairman, the Chief Executive, the Senior Independent Director, two non-executive and two executive directors. The directors' biographical details are shown on the Company's website. One third of the directors are subject to re-election by rotation at the Annual General Meeting each year. All newly appointed directors stand for election at the Annual General Meeting following their appointment.

The Board meets at least four times each year. The Board's responsibilities include approving the Company's strategy and annual budget, authorising major investments, acquisitions and capital expenditure, and monitoring the performance of the business.

The non-executive directors are all considered to be independent and have a voting majority on the Board and each committee.

#### Board Committees

Each committee has defined terms of reference and meets at least twice each year.

#### Nominations

The Nominations Committee comprises Keith Pankhurst (chairman), Kayssar Ghorayeb and Ismail Ghandour. The committee is responsible for identifying and proposing prospective candidates for directors for consideration and appointment by the Board as a whole.

#### Audit

The Audit Committee comprises Kayssar Ghorayeb (chairman), Keith Pankhurst and Ivan Minter. The Chief Executive and external auditor attend its meetings by invitation. The Committee reviews the audit appointment periodically, discusses the audit plan with the auditor and recommends approval of the financial statements to the Board. The committee meets with the auditor twice-yearly. Internal controls are the direct responsibility of the directors.

#### Remuneration

The Remuneration Committee comprises Dr Tony Ghorayeb (chairman), Kayssar Ghorayeb, and Hikmat El-Rousstom. It determines on behalf of the Board the remuneration package of the executive directors. The Remuneration Committee is also responsible for approving the bonus targets and payments for the Company's executive directors. In coming to these decisions the Remuneration Committee considers the overall performance of the Company and of the individual directors. Share options, which are approved at the Company's AGM, have historically been granted to compensate for the low level of salaries.

#### Attendance at meetings

The following is the record of directors' attendance at Full and Committee Meetings of the Board:

	Attended		Entitled to attend	
	Full Board	Board Committees	Full Board	Board Committees
Dr Tony Ghorayeb	7	2	7	2
Ismail Ghandour	7	2	7	2
Mark Thomas	7	-	7	-
Kayssar Ghorayeb	7	6	7	6
Ivan Minter	5	2	7	2
Keith Pankhurst	7	2	7	2
Hikmat El-Rousstom	7	2	7	2

#### Shareholders

At the date of this report, the following shareholders held more than 3% of the company's issued share capital:

	Shares of 25p	%
Dr Abdel-Karim El-Rousstom	7,469,031	18.47%
HSBC Global Custody Nominee (UK) Limited	5,614,078	13.80%
Dinama Holdings Limited	3,220,378	7.92%
LiBank S.A.L.	2,693,709	6.62%
Daniel Waylett	2,449,000	6.02%

The Company's website is <http://acelibertyandstone.com/>

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Strategic Report

#### Principal activity

The principal activity of the Group continues to be that of property investment. The Board locates properties with good covenants which offer a high yield and the opportunity to add capital value to the initial investment. In addition to properties which have the opportunity of early development, the Group holds a proportion of its portfolio in properties with longer-term tenancies in order to achieve a balanced portfolio and to protect future cash flow.

The success of this strategy rests on the executive directors' ability to select suitable properties and manage the project plans for enhancement. The Chief Executive and the Commercial Director have a wide range of contacts and the experience to judge market trends. The result so far has been that each commercial property sold has realised a sizable profit.

#### Review of business

During the year the Group completed the sales of twenty four residential properties in pursuit of the policy declared previously to transfer resources to higher-yielding commercial properties. Four commercial properties were acquired during the year and a further three since the year end, taking the portfolio to a value of £71million. The Group has now established a balanced portfolio with a good level of income. Further residential sales are in progress with the aim of completing the policy change. At the year end, three properties and the remainder of the two residential portfolios were classified as held for sale in the balance sheet.

The properties purchased during the year were financed by the facility with Lloyds Bank plc. Subsequent to the year end a facility was established with Coutts & Co to finance the three later acquisitions.

An overall review of business is given in the Chairman's Statement on page 3.

The Board monitors key financial performance indicators. The indicators are appropriate to the circumstances of the business. For the year ended 30 April 2018 they are summarised on the following pages headed Key Performance Indicators.

#### Principal risks and uncertainties

The Group's portfolio is exclusively invested in the UK and therefore it is exposed to the risks and uncertainties of the UK economy.

The directors consider that the principal risk for the Group is in respect of the valuation of the Group's investment properties. The properties are subject to fluctuating market conditions, affected by consumer confidence, the performance of the UK economy, and the liquidity in the market as well as fluctuating interest rates. These risks will also affect the Group's ability to acquire properties in the future. The directors mitigate these risks by investing only in properties with good covenants and good prospects of alternative use at the end of the current lease.

The Group is exposed to interest rate risk. The Company has benefitted from the current, exceptionally low, interest rates, but does not expect this to continue. The directors mitigate this risk by hedging at least 75% of the group-wide facility for protection against future interest rate rises. Future returns on acquisitions are evaluated projecting higher than current rates.

There is a risk that the Group will be unable to finance future acquisitions and thus inhibit growth. This is mitigated by establishing facilities with preferred lenders which are familiar with and supportive of the Group's strategy and achievements. All borrowing is undertaken at cautious assessments of, for example, loan-to-value and interest cover. Covenants have been comfortably met to date and this prudent policy will continue.

The Group plans to continue to expand the portfolio and to continue to develop its existing holdings. However, the future stability of the Group is not dependent on growth and it can continue profitably at its present size.

#### Future developments

The Company's management constantly monitors opportunities to sell properties where this offers a profit to the Group and is in line with strategic objectives. Some properties fall within the IFRS definition of Assets held for Sale and are designated accordingly in the balance sheet. Regardless of category, sale opportunities are assessed on merit; a number of transactions are currently being considered and will be announced at the appropriate time.

The directors will continue the same investment policies which have been successful since its listing with the intention of continuing to increase the Group's assets in the future.

The Strategic Report was approved by the Board on 26 September 2018 and signed on its behalf by:



Ivan Minter  
Director

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Key Performance Indicators

The board monitors the following data which it considers appropriate to share with shareholders to generate a better understanding of the business.

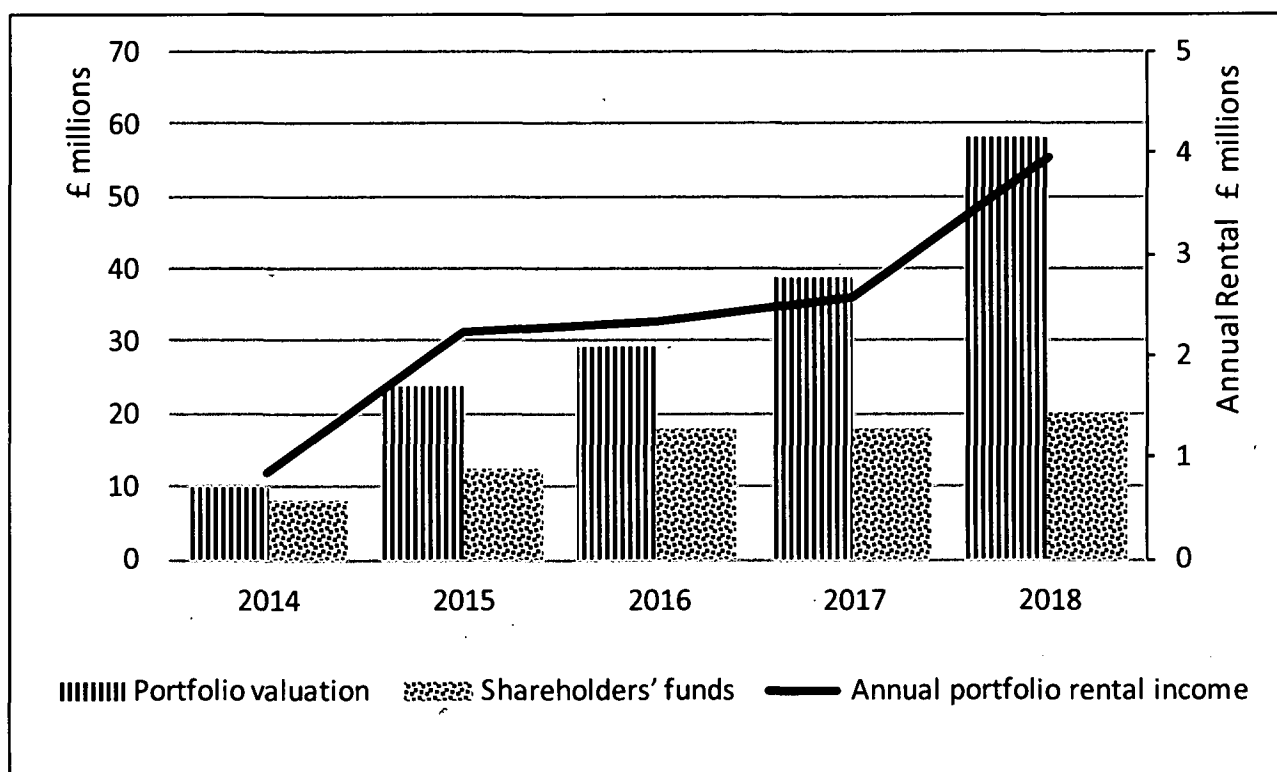
	At 30 April				
	2014 £	2015 £	2016 £	2017 £	2018 £
Portfolio valuation	10,032,267	23,964,428	29,488,428	38,979,308	58,221,866
Shareholders' funds	8,244,105	12,410,366	17,946,575	18,132,735	19,439,335
Rental income for year	1,097,052	1,201,185	2,037,308	2,632,219	3,515,088
Profit after tax	408,216	759,022	259,993	962,676	361,295
Annual portfolio rental income	847,000	2,231,000	2,336,800	2,563,565	3,960,279
	%	%	%	%	%
Loan to value	29.10	44.20	35.90	50.61	49.21
	years	years	years	years	years
Weighted unexpired average lease to break (WAULB)	5.58	6.15	6.71	9.50	9.60

At the date of the report, the portfolio valuation is £71,292,485 and annual portfolio rental income is £5,175,342

The values shown for Portfolio valuation, Shareholders' funds, Rental income for year and Profit after tax are taken from the audited accounts. Interim values are calculated on a consistent basis.

Annual portfolio rental income is the annual rental income of the aggregate of the leases in force at the appropriate point in time. It differs from Rental income for year in that the latter is the recorded income for a specific period and is a lower value because, for example, some properties are only owned for a part of the period

Weighted unexpired average lease to break is a good indicator of the resilience of the portfolio. The Group has highly creditworthy tenants (see note 4) who are extremely unlikely to default on their lease obligations. The high WAULB value indicates the portfolio could easily withstand a short period of non-occupation at the end of a lease in the unlikely event that eventuality should occur while a sale is being arranged.



# ACE LIBERTY & STONE PLC

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### Key Performance Indicators (continued)

The Board monitors the financial performance of the Group in the following format and this is also reproduced for the benefit of shareholders.

	Year ended 30 April				
	2014	2015	2016	2017	2018
	£	£	£	£	£
Rental income	1,097,052	1,201,185	2,037,308	2,632,219	3,515,088
Interest on secured property loans	(196,690)	(264,972)	(322,542)	(523,240)	(829,351)
Property management	(231,027)	(211,970)	(235,338)	(204,125)	(140,065)
Gross contribution	669,335	724,243	1,479,428	1,904,854	2,545,672
Recurring overheads	(382,757)	(365,439)	(719,998)	(1,018,745)	(782,411)
Net interest	25,843	31,010	(183,635)	(46,911)	(708,751)
Profit for period	312,421	389,814	575,795	839,198	1,054,510
Non recurring income and overheads	206,370	665,764	36,538	283,119	(840,369)
Profit before tax	518,791	1,055,578	612,333	1,122,317	214,141

This table is a re-analysis of the statutory Income and Expenditure Account and contains the same information – as can be seen from the identical values for Rental income and Profit before tax.

This layout embodies the information used by management to monitor the portfolio's performance and evaluate new acquisitions. Key decisions revolve around the contribution of a property after paying interest on the secured loan required to finance its purchase.

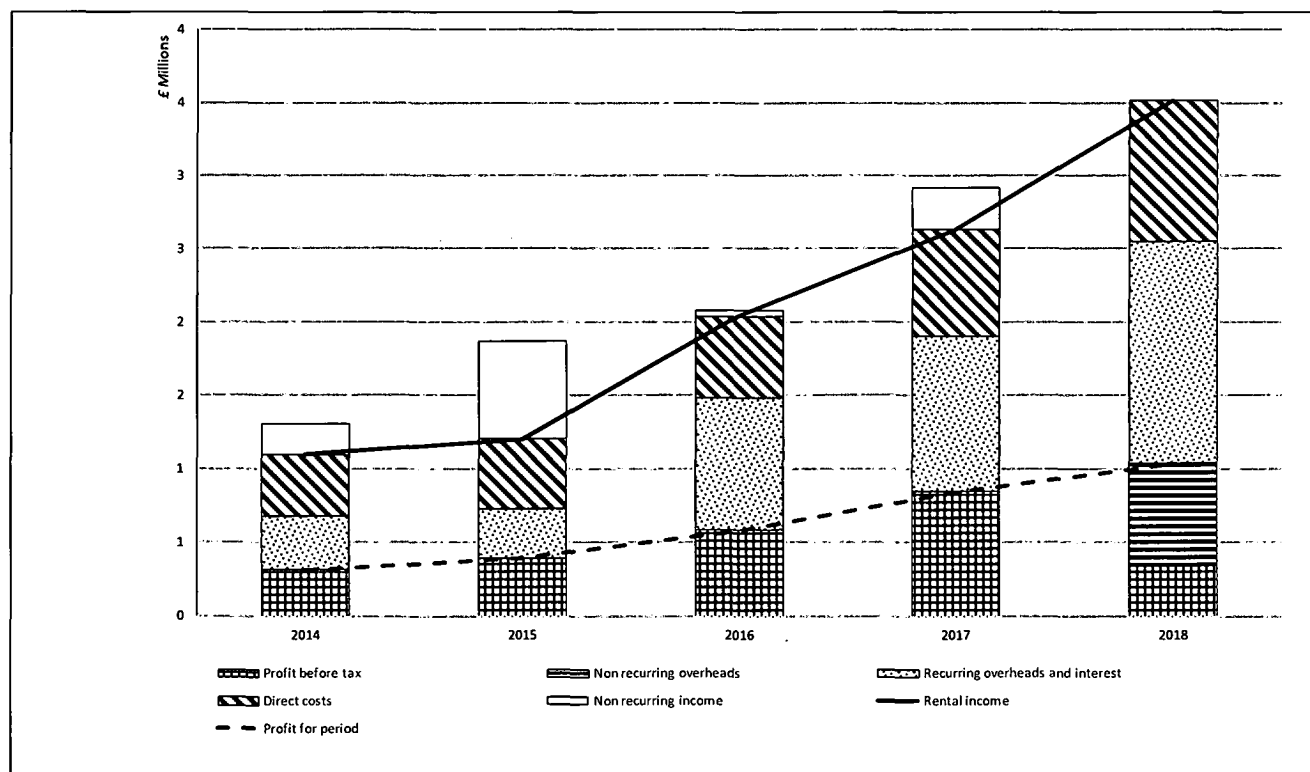
Property management costs largely relate to the residential properties which have largely been disposed of. Hence the declining trend.

The split of overheads is self-explanatory. Recurring overheads relate mainly to directors salaries and fees, legal and professional fees, and costs of compliance and regulation. Non-recurring overheads relate to costs of arranging finance, professional fees for property development and the costs of selling properties.

Net interest is the cost of arranging general finance facilities (not specifically secured on properties) for the company.

The profits from property sales are included with the non-recurring costs.

This format enables the ongoing performance of the portfolio to be separated from non-recurring events and provides a reliable guide to future performance.



# ACE LIBERTY & STONE PLC

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### Directors' Report

The directors present their report with the audited consolidated financial statements for the year ended 30 April 2018.

#### Dividends

The directors declared an interim dividend for the year ended 30 April 2018 of 1.25p per ordinary share of 25p (2017: 1p per share of 25p). This was paid on 26 July 2018.

#### Directors

The following directors have held office since 1 May 2017:

Keith Pankhurst	Ismail Ghandour
Mark Thomas	Ivan Minter
Dr Tony Ghorayeb	Kayssar Ghorayeb
Hikmat El-Rousstom	

#### Going concern

The directors can report that, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

#### Auditors

Jeffreys Henry LLP has expressed its willingness to continue in office and a resolution to re-appoint it will be proposed at the forthcoming Annual General Meeting.

#### Post balance sheet events

On 26 July 2018 the Company paid a dividend to ordinary shareholders of 1.25p per ordinary share.

Since the balance sheet date, the Group has purchased three properties at a total cost of £10,797,000. These acquisitions have been partly financed by a secured loan of £6,950,250 drawn down from Coutts & Co.

The Company has issued 280,500 ordinary shares for a total value of £280,500.

On 28 August 2018, the Company purchased the freehold interest in Bridge House, Merry Hill, Dudley for £100,000.

On 15 June 2018 the Company awarded 2,890,000 options to directors at an exercise price of £0.72 with an expiry date of 15 June 2025.

On 21 September 2018 the Company's subsidiary, Ace (North) Limited exchanged unconditional contracts to purchase Mecca Bingo Hall in Chesterfield at a price of £3,999,000.

#### Future developments

This information has not been included in the Directors' Report because it is shown in the Strategic Report as permitted by section s414C(11) of the Companies Act.

#### Statement of directors' responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law and the rules of NEX to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 'Reduced Disclosure Framework'.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

In preparing the group and 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 adopted by the EU and for the Company financial statements state whether applicable UK accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the company financial statements; and

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Directors' Report (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Ace Liberty & Stone plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Statement of disclosure to auditor

The directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The Directors' Report was approved by the Board on 26 September 2018 and signed on its behalf by:



Ivan Minter  
Director

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Independent Auditors' Report to the Members of Ace Liberty & Stone Plc

#### Opinion

We have audited the financial statements of Ace Liberty & Stone Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 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 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. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, 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.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment property</p> <p>The value of investment properties is key to the Group as they impact upon the Group's compliance with loan covenants.</p> <p>Investment properties are held at fair value which represents a significant area of management judgement.</p>	<p>We reviewed the recognition, capitalisation and fair valuation of investment properties in conjunction with IAS 40 Investment Property and IFRS 13 Fair Value Measurement.</p> <p>We assessed the competence, capabilities, qualifications and objectivity of the external independent valuers employed by the Group.</p> <p>We have critically evaluated managements methodologies in reviewing valuations and adjusting the fair values of investment properties.</p>
<p>Convertible loan notes</p> <p>During the period the Company issued convertible loan notes. We have identified the valuation and accounting treatment of convertible loans as a key audit matter because both are complex areas and require the use of estimates.</p> <p>The separation of the debt element from the equity element of a convertible loan involves a significant degree of judgement and is therefore subject to an inherent risk of error.</p>	<p>We inspected board minutes and other appropriate documentation to confirm that the transactions were appropriately authorised.</p> <p>We verified amounts, interest rates and maturities to the supporting documentation and examined the terms and conditions of the loan notes. We reviewed the reasonableness of the market rate of interest used in calculating the effective interest charge.</p> <p>We tested and reperformed the calculations carried out to split the convertible loans into equity and debt elements.</p>

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Independent Auditors' Report to the Members of Ace Liberty & Stone Plc (continued)

#### Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£90,000 (2017: £180,000).	£80,000 (2017: £140,000).
How we determined it	1.5% of revenue 10% of profit before tax 1% of net assets	3% of revenue 10% of profit before tax 1% of net assets
Rationale for benchmark applied	We believe that revenue and profit before tax are the primary measures used by shareholders in assessing the Group's performance. As the Group holds investment properties net assets are also a significant benchmark.	We believe that revenue and profit before tax are the primary measures used by shareholders in assessing the Company's performance. As the Company holds investment properties net assets are also a significant benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £3,000 and £58,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4,500 for the Group (2017: £9,000) and £4,000 for the Company, as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

#### An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

#### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of twenty reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Ace Liberty & Stone Plc, Ace (Manchester) Limited, Ace (Leeds) Limited, Ace (Hulme) Limited, Hilcott (Overseas) Limited, Ace (Sunderland) Limited, Ace (Dudley) Limited, Ace (Barnsley) Limited, Ace (Gateshead) Limited, Ace (Chelsea) Limited, Ace (Plymouth) Limited, Ace (Hanley) Limited, Ace (Management) Limited, Ace (Luton) Limited, Ace (Keighley) Limited, Ace (North) Limited and Ace (EBT) Limited reporting units, which were individually financially significant and accounted for 99% of the Group's revenue and 79% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over certain account balances and transaction classes that we regarded to be material to the Group at three further reporting units, two based in The British Virgin Islands and another in British Anguilla.

The Group engagement team performed all audit procedures.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Independent Auditors' Report to the Members of Ace Liberty & Stone Plc (continued)

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

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

We have nothing to report in respect of the following matters 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 8, 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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

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

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

#### Use of this 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.



**Sanjay Parmar**  
Senior Statutory Auditor

For and on behalf of  
**Jeffreys Henry LLP (Statutory Auditors)**

Finsgate 5-7 Cranwood Street  
London EC1V 9EE

26 September 2018

# ACE LIBERTY & STONE PLC

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### Consolidated Statement of Comprehensive Income for the year ended 30 April 2018

	Notes	2018 £	2017 £
Revenue	4	3,515,088	2,632,219
(Loss) / gain on disposal of investment property		(40,758)	1,018,665
Administrative expenses	5	(1,042,612)	(1,261,745)
Fair value gain on investment property		250,000	-
Fair value losses on assets held for sale		(250,000)	(390,950)
Finance cost	6	(2,219,199)	(876,603)
Finance income	7	1,622	731
<b>Profit before taxation</b>	8	<b>214,141</b>	<b>1,122,317</b>
Taxation	11	147,154	(159,641)
<b>Profit after taxation</b>		<b>361,295</b>	<b>962,676</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>361,295</b>	<b>962,676</b>
<b>Attributable to:</b>			
Owners of the parent		<b>361,295</b>	<b>962,676</b>
<b>Earnings per share on continuing activities</b>		<b>Pence</b>	<b>Pence</b>
<i>Basic earnings per share attributable to equity owners of the parent</i>	12	0.91	2.45
<i>Diluted earnings per share attributable to equity owners of the parent</i>	12	0.61	2.22

# ACE LIBERTY & STONE PLC

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### Consolidated and Company Statement of Financial Position at 30 April 2018

	Notes	Group		Company	
		2018 £	2017 £	2018 £	2017 £
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment property	13	50,487,866	29,453,308	50,000	50,000
Investments	14	-	-	1,863,965	1,863,765
Other receivables	16	-	-	44,150,000	25,650,000
Deferred tax	11	-	-	133,488	-
		<u>50,487,866</u>	<u>29,453,308</u>	<u>46,197,453</u>	<u>27,563,765</u>
<b>Current assets</b>					
Assets held for sale	15	7,734,000	9,526,000	-	-
Trade and other receivables	16	934,479	178,166	10,528,197	7,898,645
Cash and cash equivalents		5,180,225	350,810	4,966,719	220,607
		<u>13,848,704</u>	<u>10,054,976</u>	<u>15,494,916</u>	<u>8,119,252</u>
<b>TOTAL ASSETS</b>		<u><b>64,336,570</b></u>	<u><b>39,508,284</b></u>	<u><b>61,692,369</b></u>	<u><b>35,683,017</b></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Liabilities relating to non-current					
assets held for sale	17	2,587,141	3,435,541	-	-
Trade and other payables	18	1,239,869	788,466	1,345,793	1,351,181
Taxation		162,098	562,728	162,189	160,246
Borrowings	19	690,000	500,000	690,000	218,796
		<u>4,679,108</u>	<u>5,286,735</u>	<u>2,197,982</u>	<u>1,730,223</u>
<b>Non-current liabilities</b>					
Borrowings	19	40,003,625	15,790,596	40,003,625	16,071,800
Other payables	18	-	-	-	-
Deferred tax	11	214,502	298,218	-	-
		<u>40,218,127</u>	<u>16,088,814</u>	<u>40,003,625</u>	<u>16,071,800</u>
Share capital	21	10,065,887	9,821,517	10,065,887	9,821,517
Share premium		7,643,310	7,132,802	7,643,310	7,132,802
Share option reserve		479,180	479,180	479,180	479,180
Other reserve		579,548	-	579,548	-
Treasury shares		(480,620)	(480,620)	-	-
Retained earnings		1,152,030	1,179,856	722,837	447,495
Total equity		<u>19,439,335</u>	<u>18,132,735</u>	<u>19,490,762</u>	<u>17,880,994</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>64,336,570</b></u>	<u><b>39,508,284</b></u>	<u><b>61,692,369</b></u>	<u><b>35,683,017</b></u>

The financial statements were approved and authorised for issue by the Board on 26 September 2018 and signed on its behalf by:

  
Ivan Minter  
Director

Company Registration number: 06223892

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### Consolidated Statement of Changes in Equity

	Share capital	Share premium	Share option reserve	Other reserve	Treasury shares	Retained earnings	Total equity
	£	£	£	£	£	£	£
<b>Balance at 1 May 2016</b>	<b>9,821,517</b>	<b>7,132,802</b>	<b>479,180</b>	<b>-</b>	<b>-</b>	<b>513,076</b>	<b>17,946,575</b>
<b>Total comprehensive income for the year</b>							
Profit on sale and dissolution of subsidiaries	-	-	-	-	-	64,214	64,214
Profit for the year	-	-	-	-	-	926,676	926,676
	-	-	-	-	-	990,890	990,890
<b>Transactions with owners</b>							
Shares purchased by EBT	-	-	-	-	(480,620)	-	(480,620)
Dividend on ordinary shares	-	-	-	-	-	(324,110)	(324,110)
	-	-	-	-	(480,620)	(324,110)	(804,730)
<b>Balance at 30 April 2017</b>	<b>9,821,517</b>	<b>7,132,802</b>	<b>479,180</b>	<b>-</b>	<b>(480,620)</b>	<b>1,179,856</b>	<b>18,132,735</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	361,295	361,295
	-	-	-	-	-	361,295	361,295
<b>Transactions with owners</b>							
Shares issued during the year	244,370	510,508	-	-	-	-	754,878
Value of conversion rights on convertible notes	-	-	-	579,548	-	-	579,548
Dividend on ordinary shares	-	-	-	-	-	(389,121)	(389,121)
	244,370	510,508	-	579,548	-	(389,121)	945,305
<b>Balance at 30 April 2018</b>	<b>10,065,887</b>	<b>7,643,310</b>	<b>479,180</b>	<b>579,548</b>	<b>(480,620)</b>	<b>1,152,030</b>	<b>19,439,335</b>

### Company Statement of Changes in Equity

	Share capital	Share premium	Share option	Other reserve	Retained earnings	Total equity
	£	£	£	£	£	£
<b>Balance at 1 May 2016</b>	<b>9,821,517</b>	<b>7,132,802</b>	<b>479,180</b>	<b>-</b>	<b>(817,953)</b>	<b>16,615,546</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	513,447	513,447
Dividends from subsidiaries	-	-	-	-	1,076,111	1,076,111
	-	-	-	-	1,589,558	1,589,558
<b>Transactions with owners</b>						
Dividend on ordinary shares	-	-	-	-	(324,110)	(324,110)
	-	-	-	-	(324,110)	(324,110)
<b>Balance at 30 April 2017</b>	<b>9,821,517</b>	<b>7,132,802</b>	<b>479,180</b>	<b>-</b>	<b>447,495</b>	<b>17,880,994</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	604,463	604,463
Dividends from subsidiaries	-	-	-	-	60,000	60,000
	-	-	-	-	664,463	664,463
<b>Transactions with owners</b>						
Shares issued during the year	244,370	510,508	-	-	-	754,878
Value of conversion rights on convertible notes	-	-	-	579,548	-	579,548
Dividend on ordinary shares	-	-	-	-	(389,121)	(389,121)
	244,370	510,508	-	579,548	(389,121)	945,305
<b>Balance at 30 April 2018</b>	<b>10,065,887</b>	<b>7,643,310</b>	<b>479,180</b>	<b>579,548</b>	<b>722,837</b>	<b>19,490,762</b>

# ACE LIBERTY & STONE PLC

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### Consolidated Statement of Cash Flows

	2018	2017
	£	£
Profit before tax	214,141	1,122,317
<b>Cash flow from operating activities</b>		
<i>Adjustments for:</i>		
Finance income	(1,622)	(731)
Finance costs	2,219,199	876,603
(Gain)/Loss on disposal of investment property	40,758	(1,018,665)
Fair value adjustment	-	390,950
Increase in receivables	(756,313)	(44,115)
Decrease in payables	476,019	(59,592)
Tax paid	(337,186)	(21,887)
Interest paid	(1,520,350)	(632,060)
<b>Net cash (used) / generated by operating activities</b>	<u>334,646</u>	<u>612,820</u>
<b>Cash flows from investing activities</b>		
Interest received	1,622	731
Purchase of investment properties	(20,784,558)	(15,078,916)
Sale of investment properties	1,501,242	6,215,751
Cash balances on sale and dissolution of subsidiaries	-	54,214
<b>Net cash used by investing activities</b>	<u>(19,281,694)</u>	<u>(8,808,220)</u>
<b>Cash flows from financing activities</b>		
Share issue, net of issue costs	85,300	-
Treasury shares purchased	-	(480,620)
Long term loans advanced	26,673,688	15,766,079
Long term loans repaid	(3,593,404)	(6,932,771)
Short term loans advanced	1,000,000	-
Equity dividend paid	(389,121)	(324,110)
<b>Net cash generated by financing activities</b>	<u>23,776,463</u>	<u>8,028,578</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>4,829,415</u>	<u>(166,822)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	350,810	517,632
<b>Cash and cash equivalents at the end of the period</b>	<u>5,180,225</u>	<u>350,810</u>

During the year, the Group issued 871,332 new ordinary shares for non-cash consideration. The amount recognised in equity in relation to these shares is £669,578.

# ACE LIBERTY & STONE PLC

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### Notes to the Consolidated Financial Statements

#### 1 General information

Ace Liberty & Stone Plc (the "Company") is a company that is incorporated in England and Wales whose shares are listed on the NEX Stock Exchange. The Group's principal activity is that of property investment.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not produced the Company's individual profit and loss account. Company profit after taxation is £669,331 (2017: £513,447).

#### 2 Basis of presentation and significant accounting policies

The principal accounting policies applied in the preparation of the Group and parent Company's financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 2.1 Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union (EU) and issued by the International Accounting Standards Board (IASB). The consolidated financial statements are presented in Sterling, the Group and parent Company's functional currency. The financial statements have been prepared on a going concern basis under the historical cost convention, except as otherwise described in the accounting policies.

IFRS requires management to make certain critical accounting estimates and to exercise judgement in the process of applying the group's accounting policies. These estimates are based on the directors' extensive knowledge and past experience derived from their professional property activities and supported by independent professional advice.

The financial statements for the Company have been prepared in accordance with Financial Reporting Standard 101 by applying the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006. The Company has notified shareholders of this disclosure.

##### Transition to FRS 101

In transition to FRS 101, the Company has applied International Financial Reporting Standard 1 'First Time Adoption of International Financial Reporting Standards' (IFRS 1) subject to the exemptions available under FRS 101 and listed below.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group settled share based payments;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

There were no changes required to accounting policies and no effect on the comparative period following the transition to FRS101.

##### 2.2 Standards, amendments and interpretations to published standards not yet effective

The following standards and interpretations (and amendments thereto) have been issued by the International Accounting Standards Board and its International Financial Reporting Interpretations Committee (IFRIC) which are not yet effective and have not been adopted, many of which are either not relevant to the Group or have no impact on the financial statements of the Group.

	Effective Dates
IAS 28 (Amended), 'Investments in Associates and joint Ventures'	1 January 2019
IAS 19 (Amended), 'Employee benefits'	1 January 2019
IFRS 9 (Amended) 'Financial Instruments'	1 January 2019
IFRS 17 'Insurance Contracts'	1 January 2019
IFRIC 23 'Uncertainty over Income Tax Treatment'	1 January 2019

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism

# ACE LIBERTY & STONE PLC

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### Notes to the Consolidated Financial Statements (continued)

#### 2.3 Basis of consolidation

##### *Subsidiaries*

The financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to the year ended 30 April 2018. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest's share of the net assets of the relevant subsidiary are allocated against the interests of the parent in the net assets of the relevant subsidiary.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income, expenses and unrealised gains are eliminated when preparing the financial information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### 2.4 Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in pounds sterling which is the presentation currency for the consolidated and company financial statements. The functional currency of the Company is pounds sterling.

#### 2.5 Financial assets

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market and do not qualify as trading assets. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the consolidated statement of comprehensive income when the loans or receivables are derecognised or impaired, as well as through the amortisation process.

##### *Amounts due from subsidiaries*

It is the Group's strategy to hold the ownership of its properties in wholly-owned subsidiaries, partly financed by secured loans. The parent Company then advances the balance of the cost and any further amount necessary for working capital by means of short- and long-term loans. Repayment of the short-term loans is then effected periodically as permitted by the subsidiary's cash flow. The parent charges interest at a commercial rate, currently 6% p.a., on the outstanding balances.

#### 2.6 Cash and Cash Equivalents

These include cash in hand and deposits held at call with banks.

#### 2.7 Trade and other receivables

Trade and other receivables are recognised by the Group and carried at the original invoice amount less an allowance for any uncollectable or impaired amounts. Other receivables are initially recognised at fair value. Provision is made for impairment when the collection of the full amount is no longer probable.

#### 2.8 Trade and other payables

These are initially recognised at fair value and then carried at amortised cost. These arise principally from the receipt of goods and services.

#### 2.9 Key accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that may affect the application of accounting policies and the reported assets and liabilities, income and expenses. Although management believes that the assumptions and estimates are reasonable, the actual results may differ from the estimates.

The most significant estimates made in preparing these accounts relate to the valuation of the Group's investment properties. The fair value of the investment property is determined by independent property valuation experts to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques and the valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards January 2014 ("the Red Book"). Factors reflected include current market conditions, annual rentals, lease length and location.

#### 2.10 Taxation

The tax expense represents the sum of the tax currently payable. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date.

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

#### 2.11 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at 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 taxes levied by the same tax authority on the same taxable entity, or on difference tax 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.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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.

#### 2.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes.

Revenue represents rental income from investment properties and, for the Company only, management fees charged to subsidiary companies. Rental income from investment property leased out under operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of rental income.

#### 2.13 Finance income and cost

##### *Finance income*

Finance income includes interest income from bank deposits and, in respect of the Company only, interest charged on amounts due from subsidiaries.

##### *Finance cost*

Finance cost is recognised as interest accrues, using the effective interest method, on the net carrying amount of the financial liability.

#### 2.14 Investment property

Investment properties are properties held for long-term rental yields. Investment properties are carried in the balance sheet at fair value, representing open market value determined annually by directors or independent valuation, completed by a recognised firm of Chartered Surveyors. Gains or losses arising from changes in fair value of investment property are included in the income statement for the period in which they arise.

##### *Assets held for sale*

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of sale.

#### 2.15 Borrowings

Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated statement of comprehensive income over the period of the borrowings, using the effective interest method. The costs of arranging each loan is written off over the period of the loan up to a maximum period of five years. The unamortised balance is shown against the relevant borrowing at the balance sheet date.

#### 2.16 Convertible Loans

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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### Notes to the Consolidated Financial Statements (continued)

#### 2.17 Share based payments

The Company has applied the requirements of IFRS 2 Share Based Payment. For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised over the vesting period. The share based payments expense is recognised as a staff cost shown separately in the income statement and the associated credit entry is made directly to reserves.

Shares issued in payment for services where the cost of service can be reliably measured (i.e. for the settlement of third party invoices) are issued at the fair value of the service received. Where shares have been issued to acquire assets, the shares are valued with reference to the fair value of the assets acquired.

#### 2.18 Other reserves

This represents value received for shares which have yet to be issued, and shares repurchased in the year classified as treasury shares.

#### 2.19 Financial assets and liabilities

Financial assets and financial liabilities are recognised on the statement of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

##### *Financial assets*

The Group's accounting policies for financial assets are set out below.

Management determine the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, revalue this designation at every reporting date.

All financial assets are recognised on a trade date when, and only when, the Group becomes a party to the contractual provisions of an instrument. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except for those finance assets classified as at fair value through profit or loss ('FVTPL'), which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at FVTPL, 'held-to-maturity' investments, 'available for sale' (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables (including trade receivables, prepayments, deposits and other receivables, cash and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. At each reporting date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### *Financial liabilities and equity*

Financial liabilities and equity are recognised on the Group's Statement of Financial Position when the Group becomes a party to a contractual provision of an instrument. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of transaction costs.

### 3 Going concern

In the opinion of the directors, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

### 4 Revenue

	Group	
	2018	2017
	£	£
Revenue comprises the following		
Rental income	<u>3,515,088</u>	<u>2,632,219</u>
The Group's aggregate minimum future lease receipts at current annual rents are as follows:		
Up to one year	3,898,081	3,575,333
More than one year but less than five years	11,832,719	9,204,167
More than five years	<u>19,175,333</u>	<u>23,358,167</u>
	<u>34,906,133</u>	<u>36,137,667</u>

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

#### 4 Revenue (continued)

All revenue arises from the Group's UK operations, net of VAT.

The Company interprets IFRS8.34 to mean that revenue derived from separate UK Government Departments should be considered as deriving from one customer. This comprises 42% (2017: 45%) of the Group's income at the date of this report. City councils represent 9% (2017: 15%) and major industrial and commercial companies represent 45% (2017 33%). The Group's income derives overwhelmingly from the ownership of commercial properties in the United Kingdom and the directors manage and report upon activity as one segment.

#### 5 Administrative expenses

	Group	
	2018	2017
	£	£
Directors' fees	391,750	469,750
Directors' National Insurance	46,955	53,684
Director's pension contribution	-	30,000
Operating expenses of investment properties	141,265	204,125
Legal and professional fees	357,102	382,534
Other costs	105,540	121,652
	<u>1,042,612</u>	<u>1,261,745</u>

#### 6 Finance cost

Bank interest	829,351	523,256
Convertible loan interest	722,772	-
Other loan interest	71,516	47,626
Other finance costs	595,560	305,721
	<u>2,219,199</u>	<u>876,603</u>

#### 7 Finance income

Bank and other interest	<u>1,622</u>	<u>731</u>
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#### 8 Profit before tax

Profit before tax is stated after charging / (crediting) the following:

Operating lease rentals – land and buildings	43,000	44,674
<i>Auditors' remuneration:</i>		
Audit of parent and consolidation	30,000	30,000
Audit of subsidiaries	16,000	13,000
Other services – tax compliance	9,500	9,000
Total fees payable to the auditor	<u>55,500</u>	<u>52,000</u>

#### 9 Staff costs

During the year the Company employed one employee who worked in a clerical capacity for the year at a total cost of £32,584 made up of £29,667 salary, £267 pension and £2,651 social security costs.

#### 10 Directors' remuneration

	Group and Company	
	2018	2017
	£	£
<i>Director's fee</i>		
Keith Pankhurst	6,500	21,500
Ismail Ghandour	195,000	195,000
Mark Thomas	6,500	6,500
Ivan Minter	148,000	156,000
Dr Tony Ghorayeb	18,417	43,416
Kayssar Ghorayeb	10,833	25,834
Hikmat El-Rousstom	6,500	21,500
	<u>391,750</u>	<u>469,750</u>

No share options were granted or exercised in respect of either year.

During the year the Company made the following pension contributions on behalf of directors:

Ivan Minter	<u>-</u>	<u>30,000</u>
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# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

#### 11 Taxation

	Group	
	2018	2017
	£	£
<b>Current year tax</b>		
UK corporation tax	162,189	-
Adjustment in respect of previous periods	<u>(228,463)</u>	<u>73,057</u>
	(66,274)	73,057
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>(80,880)</u>	<u>86,584</u>
<b>Total tax charge for period</b>	<u><u>(147,154)</u></u>	<u><u>159,641</u></u>
<b>Reconciliation of current tax charge</b>		
Profit on ordinary activities before tax	<u>214,141</u>	<u>1,122,317</u>
Tax on profit on ordinary activities at 19% (2017:20.00%)	40,686	224,463
<b>Effects of:</b>		
Expenditure / (income) not deductible for tax purposes / taxable	156,918	(78,411)
Tax on losses not recognised	-	1,572
Utilisation of unrecognised losses brought forward	(10)	37,087
Other timing differences	(43,149)	(48,312)
Timing difference on property valuations	(45,682)	97,416
Capital gains / losses transferred within the group	<u>53,426</u>	<u>-</u>
	<u>162,189</u>	<u>159,641</u>
<b>Movement on deferred tax</b>		
Balance at 1 May 2016	298,218	211,634
Charge for the period	<u>(80,880)</u>	<u>86,584</u>
Balance at 30 April 2017	<u>214,502</u>	<u>298,218</u>
A potential deferred tax asset of approximately £129,083 (2016: £330,332) has not been recognized in the financial statements on the grounds of the uncertainty over its recoverability in the foreseeable future. The deferred tax arises due to other timing differences carried forward of £679,384 (2016: £1,651,660).		
<b>Deferred tax liability</b>		
The deferred tax liability comprises the following:		
Other short term timing differences	<u>214,502</u>	<u>298,218</u>
	<u>214,502</u>	<u>298,218</u>

#### 12 Earnings per share

The calculations of earnings per share are based on the following earnings and numbers of shares.

	£	£
	No. of shares of 25p	No. of shares of 25p
Profit for the period attributable to equity owners	<u>361,295</u>	<u>962,676</u>
Weighted average number of shares		
For basic earnings per share	39,837,319	39,288,810
Dilutive effect of share options	<u>18,942,245</u>	<u>4,093,333</u>
For diluted earnings per share	<u>58,779,564</u>	<u>43,382,143</u>
Earnings per share	pence	pence
Basic	0.91	2.45
Diluted	0.61	2.22
	£	£
Dividends declared during the year – per share of 25p	0.01	0.00825
Dividends declared during the year – total	389,121	324,110

There were no dividends declared and approved prior to the end of the year for inclusion in the Financial Statements. However, a dividend of £389,121 was approved after the year end, being equal to 1.25p per share.

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

#### 13 Investment property

	Group	
	£	£
Valuation at 1 May 2017	29,453,308	21,788,428
Purchases during the year at cost	20,784,558	13,778,916
Sales during the year at valuation	-	(3,638,990)
Transfer to assets held for sale	-	(2,475,046)
Fair value gain	250,000	-
Valuation at 30 April 2018	<u>50,487,866</u>	<u>29,453,308</u>

The Group's investment properties have been recognised at fair value. The directors, who are qualified and experienced in property valuation, continuously monitor the values of properties held by group companies by comparison with other properties on the open market, and record the changes in fair value. External valuations are performed by valuers selected by the directors based upon their knowledge, independence and reputation for valuing assets such as those held by the Group. All properties owned by the group at 30 April 2018 have been valued by Bowcliffe Limited, Chartered Surveyors. Two executive directors, one of whom is a Chartered Surveyor, are qualified to assess the valuation of properties by reason of their career experience. The remaining directors have considerable corporate management experience and are competent to challenge issues both within and outside their specific professional qualifications.

The methods of fair value measurement are classified into a hierarchy based on the reliability of the information used to determine the valuation as follows:

- Level 1: valuation based on inputs on quoted market prices in active markets.
- Level 2: valuation based on inputs other than quoted market prices included in level 1 that maximise the use of observable data directly or from market prices or indirectly from derived market prices.
- Level 3: where one or more inputs to valuations are not based on observable data.

Class of property	Valuation technique	Fair value £
Freehold - external valuation	Level 2 Market value	46,487,866
Leasehold over 50 years - external valuation	Level 2 Market value	<u>4,000,000</u>
		<u>50,487,866</u>

The directors believe that the open market value of the investment properties as at 30 April 2018 is £50,237,866 (2017: £29,453,308). Market value is considered by the directors to be the expected cash proceeds on disposal of the properties on an arms-length basis. The historical cost of investment properties held by the Group is £49,644,722. (2017: £28,860,164).

#### 14 Investments

	Company	
	2018 £	2017 £
Cost at 1 May 2017	1,863,765	1,863,565
Companies formed during year	200	400
Sale of Ace (Sloane) Limited	-	(100)
Dissolution of Ace (Doncaster) Limited	-	(100)
Cost at 30 April 2018	<u>1,863,965</u>	<u>1,863,765</u>

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

#### 14 Investments (continued)

*Holdings of more than 20%*

The Company holds more than 20% of the share capital of the following companies:

Subsidiary Undertaking	Nature of business	Country of registration or incorporation	Shares Held	
Ace (Barnsley) Limited	Investment	England and Wales	Ordinary	100
Ace (Chelsea) Limited	Investment	England and Wales	Ordinary	100
Ace (Dudley) Limited	Investment	England and Wales	Ordinary	100
Ace (EBT) Limited	Trustee	England and Wales	Ordinary	100
Ace (Gateshead) Limited	Investment	England and Wales	Ordinary	100
Ace (Hanley) Limited	Investment	England and Wales	Ordinary	100
Ace (Hulme) Limited	Investment	England and Wales	Ordinary	100
Ace (Keighley) Limited	Investment	England and Wales	Ordinary	100
Ace (Leeds) Limited	Investment	England and Wales	Ordinary	100
Ace (Luton) Limited	Investment	England and Wales	Ordinary	100
Ace (Management) Limited	Investment	England and Wales	Ordinary	100
Ace (Manchester) Limited	Investment	England and Wales	Ordinary	100
Ace (North) Limited	Investment	England and Wales	Ordinary	100
Ace (Plymouth) Limited	Investment	England and Wales	Ordinary	100
Ace (Sunderland) Limited	Investment	England and Wales	Ordinary	100
Hilcott Overseas Limited	Investment	England and Wales	Ordinary	100
Lantana Properties Limited (Sub of Luton)	Investment	BVI	Ordinary	1
Radcliff Property Limited	Investment	Anguilla	Ordinary	100
Silverdale Limited	Investment	BVI	Ordinary	100

The principal place of business for all subsidiaries is the United Kingdom.

#### 15 Non-current assets held for sale

	2018 £	Group 2017 £
Fair value at 1 May 2017	9,526,000	7,700,000
Additions at cost	-	1,300,000
Transfer from investment property	-	2,475,046
Sale during the year	(1,542,000)	(1,558,096)
Overall fair value loss	(250,000)	(390,950)
Fair value at 30 April 2018	<u>7,734,000</u>	<u>9,526,000</u>
This consists of:		
Hume House, Leeds, subject to an option exercisable by 25 March 2019	3,550,000	3,550,000
Oscar Court, purchased 26 February 2016	2,500,000	2,750,000
Willow House, Aldershot, purchased February 2017	1,300,000	1,300,000
Residential portfolio Stoke on Trent, individual properties in process of sale	179,000	1,111,000
Residential portfolio Barnsley, individual properties in process of sale	205,000	815,000
	<u>7,734,000</u>	<u>9,526,000</u>

Hume House, Leeds was purchased by the Company's subsidiary Ace (Hulme) Limited on 27 March 2014 for £1,675,000. Negotiations are well advanced for a sale of the property. Oscar Court was purchased partly by the issue of ordinary shares in the Company with the intention of re-selling. Willow House, Aldershot, has potential for development and was purchased for re-sale. The residential portfolio in Stoke on Trent was purchased in November 1997 by issue of shares on flotation on NEX (PLUS as it then was). The residential portfolio in Barnsley was purchased in 1 October 2014 by issue of shares. The individual properties in both residential portfolios are being sold to enable the proceeds to be invested in commercial properties.

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

#### 16 Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade receivables	850,548	115,134	-	13,760
Other receivables	35,640	42,961	-	988
Amounts due from subsidiary companies	-	-	54,654,655	33,519,939
Prepayments and accrued income	48,291	20,071	23,542	13,958
	<u>934,479</u>	<u>178,166</u>	<u>54,678,197</u>	<u>33,548,645</u>
Current	934,479	178,166	10,528,197	7,898,645
Non-current	-	-	44,150,000	25,650,000
	<u>934,479</u>	<u>178,166</u>	<u>54,678,197</u>	<u>33,548,645</u>

The directors consider that the carrying amount of financial assets approximates to their fair value

#### 17 Liabilities relating to non-current assets held for sale

	Group	
	2018	2017
	£	£
Secured loan on Hume House, Leeds	982,392	537,041
Secured loan on Flat G, Oscar Court	1,604,749	1,687,345
Secured loan on Stoke on Trent residential portfolio	-	684,447
Secured loan on Barnsley residential portfolio	-	526,708
	<u>2,587,141</u>	<u>3,435,541</u>

The liabilities held for sale are secured on the properties to which they relate and will be repaid once the assets are disposed of. The liabilities bear interest at rates between 3.5% and 4.3%.

#### 18 Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade payables	170,640	76,163	-	-
Taxation and social security	93,292	9,272	16,245	33,285
Other payables	198,246	202,528	152	15,544
Amounts due to subsidiary companies	-	-	1,159,175	1,185,596
Accruals and deferred income	777,691	500,503	170,221	105,756
	<u>1,239,869</u>	<u>788,466</u>	<u>1,345,793</u>	<u>1,351,181</u>
Current	1,239,869	788,466	1,345,793	1,351,181
Non-current	-	-	-	-
	<u>1,239,869</u>	<u>788,466</u>	<u>1,345,793</u>	<u>1,351,181</u>

All of these liabilities are held at amortised cost. The directors consider that the carrying amount of financial liabilities approximates their fair value.

#### 19 Borrowings

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Other loans	14,619,845	500,000	14,619,845	500,000
Bank loans	26,073,780	15,790,596	26,073,780	15,790,596
	<u>40,693,625</u>	<u>16,290,596</u>	<u>40,693,625</u>	<u>16,290,596</u>
Current	690,000	500,000	690,000	218,796
Non-current	40,003,625	15,790,596	40,003,625	16,071,800
	<u>40,693,625</u>	<u>16,290,596</u>	<u>40,693,625</u>	<u>16,290,596</u>

All of these liabilities are held at amortised cost. The directors consider that the carrying amount of financial liabilities approximates their fair value.

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

#### 19 Borrowings (continued)

##### Details of security and interest rates

On 17 November 2016 the Company drew down a loan of £13,751,800 from Lloyds Bank plc secured on the investment properties owned by its subsidiaries Ace (Plymouth) Limited, Ace (Gateshead) Limited, Ace (Sunderland) Limited, Ace (Dudley) Limited, Ace (Leeds) Limited and Ace (Hanley) Limited. On 11 April 2017 the Company drew down an advance of £2,320,000 secured on the property acquired on that date by its subsidiary Ace (Manchester) Limited. These advances carried an interest rate of 2.85% above LIBOR.

During the current year the Company drew down the following additional advances at an interest rate of LIBOR +2.70%:

13 October 2017 an advance of £6,264,000 secured on the properties acquired on that date by Ace (Management) Limited.

14 February 2018 an advance of £2,407,000 secured on the further property acquired on that date by Ace (Management) Limited.

6 March 2018 an advance of £2,755,000 secured on the property acquired on that date by Ace (Keighley) Limited.

The loan was for a term of five years repayable in quarterly amounts of £172,500 and a final repayment on 17 November 2021.

On 28 June 2017 the Company issued a convertible loan note for £10,000,000 carrying an interest rate of 6% with an option to convert into ordinary shares of 25p at a price of £0.7125 within two years of issue. The holder also has an option to purchase properties owned by the Group at an agreed price.

On 25 January 2018 the Company issued a convertible loan note for £5,263,700 carrying an interest rate of 5% with an option to convert into ordinary shares of 25p at a price of £1.00 within two years of issue.

These notes were unsecured.

#### 20 Convertible Loan Notes

The Company issued 10,000,000 6% convertible notes for £10,000,000 on 28 June 2017. The notes are convertible into ordinary shares of the Company, at the option of the holder at any time, or repayable on 28 June 2019. The conversion rate is 1 share for each note held at a price of 71p.

The Company also issued £5,263,700 5% convertible notes on 25 January 2018. The notes are convertible into ordinary shares of the Company, at the option of the holder at any time, or repayable on 31 December 2019. The conversion rate is 1 share for each note held at a price of £1.

The convertible notes are presented in the balance sheet as follows:

	Group and Company	
	2018	2017
	£	£
Face value of the convertible loan notes issued during the year	15,263,700	-
Equity element of convertible loan	(579,548)	-
Liability component on initial recognition	14,684,152	-
Interest charge calculated at the effective rate	722,773	-
Interest paid	(600,000)	-
Finance costs capitalised	(187,080)	-
Liability component at the end of the period	14,806,925	-

#### 21 Share capital

##### Allotted, issued and fully paid up capital

40,263,548 (2017: 39,326,070) ordinary shares of £0.25 each	10,065,887	9,821,517
	<i>Shares of 25p</i>	<i>Shares of 25p</i>
Shares in issue at 1 May 2017	39,286,070	39,286,070
Shares issued during year ended 30 April 2018	977,478	-
Shares in issue at 30 April 2018	40,263,548	39,286,070

During the year the Company issued 977,478 new ordinary shares of 25p nominal value as follows:

	Shares	£
Settlement of invoices at 75p	86,000	64,500
Settlement of invoices at 100p	10,800	10,800
Settlement of invoices at 107p	9,346	10,000
Settlement of arrangement fee at 71.25p	701,754	500,000
Settlement of arrangement fee at 100p	127,911	127,911
Settlement of loan interest at 100p	41,667	41,667
	977,478	754,878

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

#### 21 Share Capital (continued)

##### Share Options

Share options are granted to directors and officers of the Group. Options are not conditional on the employee's performance and there is no service condition attached to the awards. They are exercisable immediately and the exercise price is factored into the fair value at grant. The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date"). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options outstanding and their related weighted average exercise prices are as follows. There were no movements in the year:

	2018		2017	
	Weighted average exercise price in £ per share option	Options	Weighted average exercise price in £ per share option	Options
At 1 May 2017 and 30 April 2018	£0.59650	4,093,333	£0.59650	4,093,333

Of the 4,093,333 outstanding options (2017: 4,093,333 options), 4,093,333 options (2017: 4,093,333) were exercisable. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant - expiry	Expiry date	Exercise price in £ per share options	Share options	
			2018	2017
2013 - 2020	31-Oct-2020	£0.58500	2,333,333	2,333,333
2016 - 2022	20-Apr-2022	£0.61875	1,760,000	1,760,000

#### 22 Financial instruments

In common with other businesses, the Group is exposed to the risk that arises from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information is found throughout these consolidated financial statements.

##### 22.1 Financial instruments recognised in the consolidated statement of financial position

All financial instruments are recognised initially at their fair value and subsequently measured at amortised cost:

	Group	
	2018	2017
<i>Loans and receivables</i>	£	£
Cash and cash equivalents	5,180,225	350,810
Trade and other receivables	934,479	158,095
	<u>6,114,704</u>	<u>508,905</u>
<i>Other financial liabilities</i>		
Borrowings	43,280,766	19,726,137
Trade and other payables	1,616,469	1,118,470
	<u>44,897,235</u>	<u>20,844,607</u>

##### Fair values of financial assets and liabilities.

The fair value of trade debtors and creditors included in net current assets is equivalent to the balance sheet carrying values. All of the Group's borrowings are held at amortised cost.

##### 22.2 Financial risk management objectives and policies

###### Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The Group trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks and customer balances are checked regularly to ensure that the risk of exposure to bad debts is minimised.

The Group's cash balances are all held with major banking institutions. The majority of trade receivables are due from credit worthy customers or financial institutions and are automatically settled within a few days of arising.

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

#### 22.2 Financial risk management objectives and policies (continued)

##### Liquidity risk

Responsibility for liquidity risk management rests with the board which has formulated liquidity management tools to service this requirement. Management of liquidity risk is achieved by monitoring budgets, forecasts and actual cash flows. The Group's policy is to minimise refinancing risk and to match loan maturities with the expected period of rental income for each property.

The table below analyses the Group's financial liabilities (excluding Trade and other payables) into maturity groupings:

	Under 1 year	1 - 5 years	Over 5 years	2018 Total
	£	£	£	£
Mortgages secured on investment properties	690,000	26,073,780	-	26,763,780
Liabilities held for sale	2,587,141	-	-	2,587,141
Convertible loan notes	-	13,929,845	-	13,929,845
	<u>3,277,141</u>	<u>40,003,625</u>	<u>-</u>	<u>43,280,766</u>

##### Market risk

The Group's main exposure to market risk is through interest rates. As a condition of the loan facility advanced by Lloyds Bank plc, the Company is required to make a hedging arrangement in respect of a minimum of 75% of the loan drawn down.

##### Interest rate risk

The Group is subject to interest rate risk as its bank balances and some borrowings are subject to interest at a floating rate. The interest rate on bank balances at 30 April 2018 was in the range 0% to 0.05%. Interest rate on loans at the same date was in the range 3.5% to 4.3%. Of the Group's borrowings at 30 April 2018, £25,375,791 is at rates fixed for the duration of the loan or a minimum period of three years. The directors monitor interest rates closely and evaluate the return from property purchases using a cost of financing significantly above current market rates.

##### Fair value risk

In view of the above interest arrangement it is thought that fair value risk is minimal and that financial instruments are stated in the consolidated statement of financial position at value not significantly different from their fair value.

#### 22.3 Capital Structure

The Group sets the amount of capital in proportion to risk and monitors this in accordance with economic conditions and the risk profile of underlying assets. Capital consists of share capital, share premium account, share option reserve, other reserve and retained earnings. The Group monitors its debt to equity ratio which was calculated as follows.

The movement in the year was the result of the Group successfully investing its cash balances in suitable properties.

	Group	
	2018	2017
	£	£
Total debt	43,280,766	19,726,137
Less cash and cash equivalents	<u>(5,180,225)</u>	<u>(350,810)</u>
Net debt	<u>38,100,541</u>	<u>19,375,327</u>
Total equity	<u>19,439,335</u>	<u>17,882,336</u>
Debt to equity	<u>196%</u>	<u>108%</u>

#### 22.4 Financial assets

Financial assets are disclosed in notes 16 and 22.1. The Group's principal financial assets are bank balances and trade and other receivables. The directors have a policy of only acquiring properties which have tenants with a high credit rating to minimise the risk of non payment. Short term cash deposits are placed only with banks with a high credit rating.

# ACE LIBERTY & STONE PLC

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### Notes to the Consolidated Financial Statements (continued)

#### 23 Related party transactions

	Group	
	2018	2017
	£	£
Hind Property Company Limited is a related party as Ismail Ghandour is a director of both companies. The following amounts are included in the Group Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>9,698</u>	<u>19,282</u>
Included within the Group's income statement are the following amounts charged by Hind Property Company Limited:		
<i>Property management fees</i>	<u>7,200</u>	<u>55,376</u>
LiBank (Levant Investment Bank) s.a.l. is a related party as Dr Tony Ghorayeb is a director of both companies. The following amounts are included in the Group Statement of Financial Position at 30 April:		
<i>Cash and cash equivalents</i>	<u>11,387</u>	<u>24,685</u>
Maybridge Commercial Limited is a related party as Mark Thomas is a director of both companies. There are no amounts included in the Group Statement of Financial Position at 30 April. Included within the Group's income statement are the following amounts charged by Maybridge Commercial Limited:		
<i>Professional fees</i>	<u>36,000</u>	<u>56,000</u>
Bijan Daneshmand is a related party because of his shareholding in Ace Liberty & Stone plc Included within the Group's income statement are the following amounts charged by Bijan Daneshmand		
<i>Legal and professional fees</i>	<u>30,000</u>	<u>30,000</u>
	Company	
	2018	2017
	£	£
Ace (Leeds) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc. The value of transactions in the year was	<u>18,280</u>	<u>531,575</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>843,646</u>	<u>825,396</u>
Hilcott Overseas Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc. There are no transactions in the year The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other payables</i>	<u>335,100</u>	<u>335,100</u>
Silverdale Worldwide Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc. The value of transactions in the year was	<u>(126,150)</u>	<u>106,845</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>497,606</u>	<u>623,756</u>
Ace (Hulme) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc. The value of transactions in the year was	<u>372,958</u>	<u>74,799</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>713,604</u>	<u>1,086,562</u>
Radcliff Property Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc. The value of transactions in the year was	<u>20,964</u>	<u>22,669</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other payables</i>	<u>824,075</u>	<u>845,039</u>
Ace (Luton) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc. The value of transactions in the year was	<u>281,910</u>	<u>762,729</u>

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

23 Related party transactions (continued)	2018	2017
	£	£
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>958,432</u>	<u>676,522</u>
Ace (Barnsley) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>113,401</u>	<u>5,150</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>778,130</u>	<u>891,531</u>
Ace (Sunderland) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>71,365</u>	<u>2,371,148</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>4,202,612</u>	<u>4,274,977</u>
Ace (Dudley) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>11,114</u>	<u>1,702,035</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>3,873,401</u>	<u>3,884,515</u>
Ace (Gateshead) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>6,635</u>	<u>21,244</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>1,878,631</u>	<u>1,885,266</u>
Ace (Plymouth) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>1,306</u>	<u>12,557</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>3,721,603</u>	<u>3,722,909</u>
Ace (Chelsea) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>240,843</u>	<u>232,039</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>1,741,615</u>	<u>1,501,472</u>
Ace (Hanley) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>28,866</u>	<u>9,422,936</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>9,394,069</u>	<u>9,422,936</u>
Ace (Management) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>1,620,755</u>	<u>5,459</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>1,515,296</u>	<u>3,459</u>
Ace (Manchester) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>35,668</u>	<u>4,236,524</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>4,200,856</u>	<u>4,236,524</u>
Ace (EBT) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>24,654</u>	<u>487,573</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>512,227</u>	<u>487,573</u>
Ace (EBT) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>24,654</u>	<u>487,573</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>512,227</u>	<u>487,573</u>

# ACE LIBERTY & STONE PLC

## ANNUAL REPORT 2018

### Notes to the Consolidated Financial Statements (continued)

	2018	2017
	£	£
<b>23 Related party transactions (continued)</b>		
Ace (Keighley) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>5,020,152</u>	<u>-</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>5,020,152</u>	<u>-</u>
Ace (North) Limited is a related party as it is a subsidiary of Ace Liberty & Stone plc.		
The value of transactions in the year was	<u>767,919</u>	<u>-</u>
The following amounts are included in the Company Statement of Financial Position at 30 April:		
<i>Trade and other receivables</i>	<u>767,919</u>	<u>-</u>

#### 24 Post balance sheet events

On 26 July 2018 the Company paid a dividend to ordinary shareholders of 1.25p per ordinary share.

Since the balance sheet date, the Group has purchased three properties at a total cost of £10,797,000. These acquisitions have been partly financed by a secured loan of £6,950,250 drawn down from Coutts & Co.

The Company has issued 280,500 ordinary shares for a total value of £280,500.

On 28 August 2018, the Company purchased the freehold interest in Bridge House, Merry Hill, Dudley for £100,000.

On 15 June 2018 the Company awarded 2,890,000 options to directors at an exercise price of £0.72 with an expiry date of 15 June 2025.

On 21 September 2018 the Company's subsidiary, Ace (North) Limited exchanged unconditional contracts to purchase Mecca Bingo Hall in Chesterfield at a price of £3,999,000.

#### 25 Controlling party

The Company has no one controlling party.