

Company Registration No. 04476411 (England and Wales)

**LONDON & REGIONAL HOTEL FINANCE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	Mr R J Livingstone Mr R N Luck
<b>Secretary</b>	Mr R N Luck
<b>Company number</b>	04476411
<b>Registered office</b>	Quadrant House, Floor 6 4 Thomas More Square London E1W 1YW
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

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# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

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# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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The directors present the strategic report for the year ended 30 September 2016.

### **Principal activities, review of the business and future developments**

The company acts as a treasury company for group undertakings. The company made a loss of £6.3m for the financial year ended 30 September 2016 (2015: loss of £6.4m) and had net liabilities of £153.0m at the year end (2015: £131.4m). The directors consider the financial position and future prospects at 30 September 2016 to be satisfactory.

### **Principal risks and uncertainties**

The key business risks and uncertainties affecting the company are considered to relate to the fact that the company operates within a highly competitive market place. Further discussion of the risks and uncertainties, in the context of the group as a whole, are discussed in the company's ultimate parent's group annual report which does not form part of this report.

### **Financial risk management**

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the board of directors. Further discussion of the financial risk management objectives and policies, in the context of the group as a whole, are discussed in the company's ultimate parent's group annual report which does not form part of this report. The Group does not use derivative financial instruments for speculative purposes.

### **Key performance indicators**

The company is managed by the directors in accordance with the group strategies of its ultimate parent company, Loopsign Limited, and for this reason, the directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. These strategies and key performance indicators are discussed in the company's ultimate parent's group annual report which does not form part of this report.

### **Going Concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of London & Regional Group Finance Limited. The directors have received confirmation that London & Regional Group Finance Limited intend to support the company for at least one year after these financial statements are signed.

By order of the board



.....  
Mr R N Luck  
**Secretary**  
.....

# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 30 SEPTEMBER 2016***

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The directors present their annual report and audited financial statements for the year ended 30 September 2016.

### **Directors**

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

Mr R J Livingstone  
Mr R N Luck

### **Results and dividends**

The results for the year are set out on page 6.

The directors do not recommend the payment of a dividend (2015: £nil).

The business review, financial risk management and going concern are included in the strategic report.

### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

### **Independent Auditors**

The Independent Auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of disclosure of information to Auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



.....  
Mr R N Luck  
**Secretary**  
.....

# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements

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

By order of the board



.....  
Mr R N Luck  
**Secretary**  
.....

# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON & REGIONAL HOTEL FINANCE LIMITED**

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### **Report on the financial statements**

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#### **Our opinion**

In our opinion, London & Regional Hotel Finance Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its loss for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements ("Annual Report"), comprise:

- Balance Sheet as at 30 September 2016;
- Statement of Comprehensive Income for the year then ended;
- Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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In our opinion, 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.

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON & REGIONAL HOTEL FINANCE LIMITED (CONTINUED)**

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### **Responsibilities for the financial statements and the audit**

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#### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### **What an audit of financial statements involves**


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Suzanne Woolfson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

22 December 2016

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016

		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Administrative expenses		(60)	(16)
<b>Operating loss</b>	<b>3</b>	<b>(60)</b>	<b>(16)</b>
Interest receivable and similar income	<b>5</b>	7,233	7,355
Interest payable and similar charges	<b>6</b>	(13,488)	(13,765)
<b>Loss on ordinary activities before taxation</b>		<b>(6,315)</b>	<b>(6,426)</b>
Taxation	<b>7</b>	-	-
<b>Loss for the financial year</b>		<b>(6,315)</b>	<b>(6,426)</b>
<b>Other comprehensive (expense)/income</b>			
Cash flow hedges-change in value of hedging instruments		(18,861)	(7,952)
Tax relating to other comprehensive expense		3,584	1,511
<b>Total comprehensive income for the year</b>		<b>(21,592)</b>	<b>(12,867)</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 2016

	Notes	2016 £'000	£'000	2015 £'000	£'000
<b>Current assets</b>					
Debtors (including £23,936,497 (2015: £20,352,885) due after one year)	8	176,879		171,912	
Cash at bank and in hand		5,717		5,106	
		<u>182,596</u>		<u>177,018</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(57,025)</u>		<u>(45,730)</u>	
<b>Net current assets</b>			125,571		131,288
<b>Creditors: amounts falling due after more than one year</b>	10		(278,586)		(262,711)
<b>Net liabilities</b>			<u>(153,015)</u>		<u>(131,423)</u>
<b>Capital and reserves</b>					
Hedging reserve			(102,045)		(86,768)
Retained deficit			(50,970)		(44,655)
<b>Total equity</b>			<u>(153,015)</u>		<u>(131,423)</u>

The financial statements were approved by the board of directors and authorised for issue on .....  
and are signed on its behalf by:



.....  
Mr R N Luck  
Director

Company Registration No. 04476411

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	Hedging reserve £'000	Retained deficit £'000	Total £'000
<b>Balance at 1 October 2014</b>		-	(38,229)	(38,229)
Effect of transition to FRS 102	16	(80,327)	-	(80,327)
<b>Balance at 1 October 2014</b>		(80,327)	(38,229)	(118,556)
Loss for the financial year		-	(6,426)	(6,426)
<i>Other comprehensive expense:</i>				
Cash flow hedges-change in value of hedging instruments		(7,952)	-	(7,952)
Tax relating to other comprehensive expense		1,511	-	1,511
Total comprehensive expense for the year		(6,441)	(6,426)	(12,867)
<b>Balance at 30 September 2015</b>		(86,768)	(44,655)	(131,423)
Loss for the financial year		-	(6,315)	(6,315)
<i>Other comprehensive expense:</i>				
Cash flow hedges-change in value of hedging instruments		(18,861)	-	(18,861)
Tax relating to other comprehensive expense		3,584	-	3,584
Total comprehensive expense for the year		(15,277)	(6,315)	(21,592)
<b>Balance at 30 September 2016</b>		(102,045)	(50,970)	(153,015)

# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **1 Accounting policies**

#### **General information**

London & Regional Hotel Finance Limited is a company limited by shares incorporated in England and Wales. The registered office is Quadrant House, Floor 6, 4 Thomas More Square, London, E1W 1YW.

#### **1.1 Statement of compliance**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

#### **1.2 Basis of preparation and summary of significant accounting policies**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

These financial statements for the year ended 30 September 2016 are the first financial statements of London & Regional Hotel Finance Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 October 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 16.

#### **1.3 Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemption if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Loopsign Limited which are publicly available.

As a qualifying entity, the company has taken advantage of the following exemptions:

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17 (d) of FRS 102; and
- from the requirement to present financial instruments disclosures, as required by FRS 102 paragraphs 11.39 to 11.48A, paragraph 12.26 and 12.29.

#### **1.4 Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of London & Regional Group Finance Limited. The directors have received confirmation that London & Regional Group Finance Limited intend to support the company for at least one year after these financial statements are signed.

#### **1.5 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 1 Accounting policies

(Continued)

#### 1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### **Recoverability of amounts due from fellow group undertaking**

The company makes an estimate of the recoverable value of the amounts due from fellow group undertakings. When carrying out the assessment directors consider factors including the aging profile of the outstanding amounts, historic experience and performance of debtors' business.

### 3 Operating loss

	2016	2015
	£'000	£'000
Operating loss for the year is stated after charging:		
Fees payable to the company's auditors for the audit of the company's financial statements	-	-

Auditors' remuneration has been borne by London & Regional Properties Limited.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 4 Directors' remuneration

The directors did not receive any emoluments in respect of their services to the company (2015: £nil).

The company has no employees (2015: nil) other than the directors.

The emoluments of Mr Livingstone and Mr Luck are paid by a fellow subsidiary company which makes no recharge to the company. Mr Livingstone is a director of the ultimate parent company and a number of fellow subsidiary companies and Mr Luck is an employee of a fellow subsidiary. It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries to which they provide services. Accordingly, the above details include no emoluments in respect of the directors. The total emoluments of Mr Livingstone are included in the aggregate of directors' emoluments included in the financial statements of the ultimate parent company. The total emoluments of Mr Luck are included in the aggregate of employee wages and salaries included in the financial statements of the ultimate parent company.

### 5 Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest on bank deposits	4	5
Interest receivable from group companies	7,229	7,350
	<u>7,233</u>	<u>7,355</u>

### 6 Interest payable and similar charges

	2016	2015
	£'000	£'000
Interest on bank overdrafts and loans	13,367	13,644
Amortisation of loan fees	121	121
	<u>13,488</u>	<u>13,765</u>

### 7 Tax on loss on ordinary activities

No tax has been provided for due to the taxable loss for the financial year (2015: £nil).

#### Factors affecting tax charge for the year

From 1 April 2015 the rate of corporation tax has reduced from 21% to 20%, giving a blended average rate for the comparative year of 20.5%.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 7 Tax on loss on ordinary activities

(Continued)

The charge for the year can be reconciled to the loss per the statement of comprehensive income as follows:

	2016 £'000	2015 £'000
Loss on ordinary activities before taxation	(6,315)	(6,426)
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.50%)	(1,263)	(1,317)
Surrender of tax losses	1,263	1,317
Tax expense for the year	-	-

In addition to the amount charged to the statement of comprehensive income, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £'000	2015 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(3,584)	(1,511)

The company has surrendered the benefit of tax losses amounting to £6,314,608 (2015: £6,426,494) to fellow subsidiary undertakings without receiving any payment.

#### Factors which may affect future tax charges

With effect from 1 April 2017 and 1 April 2020, the UK corporation tax rate will be reduced to 19% and 17% respectively. These changes, which were announced in March 2015 budget and affirmed in March 2016 budget, will have no significant impact on these financial statements.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 8 Debtors

	2016 £'000	2015 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	1	-
Amounts due from fellow group undertakings	151,524	150,119
Prepayments and accrued income	1,418	1,440
	<u>152,943</u>	<u>151,559</u>
<b>Amounts falling due after one year:</b>		
Deferred tax asset (note 12)	23,936	20,353
	<u>23,936</u>	<u>20,353</u>
<b>Total debtors</b>	<u>176,879</u>	<u>171,912</u>

The amounts due from fellow group undertakings are interest free, repayable on demand, and unsecured, except for a loan of £112,997,597 (2015: £114,854,102) made to Hotel (PL) Property Limited, a fellow subsidiary undertaking, which is repayable by quarterly instalments and by a final bullet in 2017, and bears an interest rate of 6.36% per annum.

### 9 Creditors: amounts falling due within one year

	Notes	2016 £'000	2015 £'000
Bank loans and overdrafts	11	2,072	1,937
Amounts due to fellow group undertakings		52,308	41,147
Accruals and deferred income		2,645	2,646
		<u>57,025</u>	<u>45,730</u>

The amounts due to fellow group undertakings are interest free, repayable on demand, and unsecured.

Bank loans and overdrafts are stated net of finance charges of £120,683 (2015: £120,683) to be allocated in future years.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 10 Creditors: amounts falling due after more than one year

	Notes	2016 £'000	2015 £'000
Bank loans and overdrafts	11	152,604	155,591
Derivative financial instruments		125,982	107,120
		<u>278,586</u>	<u>262,711</u>

The bank loans and overdrafts are stated net of finance charges of £40,230 (2015: £160,913) to be allocated in future years.

#### Derivative financial instruments - Interest rate swaps

The company borrows at floating rates of interest and then employs derivative financial instruments in the form of interest rate swaps to receive interest at BBA LIBOR % and pay fixed interest of 5.20% p.a. The swaps are based on principal amounts of the company's outstanding bank loans and mature on 20 January 2028.

The instruments are used to hedge the company's exposure to interest rate movements on the outstanding bank loans. The hedging arrangement fixes the total interest payable on the outstanding loans at 5.20% p.a. The fair value of the interest rate swaps at the year end was £76m (2015: £60m). On transition to FRS 102 the company chose to designate interest rate swaps as cash flow hedges. Therefore gains or losses on the movement in the fair value of the interest rate swaps are recognized in equity. The company has not elected to apply hedge accounting.

Cash flows on both the loans and the interest rate swaps are paid quarterly until maturity of the swaps and loans on 20 January 2028.

#### Derivative financial instruments - Inflation swaps

The company receives rent indexed annually to RPI (capped at 3.5%) and then employs derivative financial instruments in the form of an inflation rate swap to receive a fixed amount of £235,738 per quarter. The swap matures on 20 October 2027 and was entered into pursuant to bank loans made to the company.

The instruments are used to hedge the company's exposure to inflation on rental income derived from the company's sole property. The fair value of the inflation rate swap at the year end was £50m (2015: £48m). On transition to FRS 102 the company chose to designate inflation swaps as cash flow hedges. Therefore gains or losses on the movement in fair values of the inflation swap are recognized in equity. The company has not elected to apply hedge accounting.

#### 11 Loans and overdrafts

	2016 £'000	2015 £'000
Bank loans	<u>154,676</u>	<u>157,528</u>
Payable within one year	2,072	1,937
Payable between one and two years	152,604	1,756
Payable between two and five years	-	153,835
	<u>154,676</u>	<u>157,528</u>

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 11 Loans and overdrafts

(Continued)

The bank loans are secured over the investment property, and the rental income derived there from, of a related undertaking and by a fixed and floating charge over the assets of the company. The loan is repayable from surplus rents and by a bullet on 22 January 2018. It bears interest at an effective rate of 6.74% per annum (2015: 6.74%).

### 12 Deferred taxation

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>Assets 2016 £'000</b>	<b>Assets 2015 £'000</b>
<b>Balances:</b>		
Derivative financial instruments	<u>23,936</u>	<u>20,353</u>
<b>Movements in the year:</b>		<b>£'000</b>
Asset at 1 October 2015		(20,353)
Credit to other comprehensive income		(3,584)
Other movement		<u>1</u>
Asset at 30 September 2016		<u>(23,936)</u>

### 13 Called up share capital

	<b>2016 £</b>	<b>2015 £</b>
<b>Issued and fully paid</b>		
1 (2015:1) ordinary share of £1 each	<u>1</u>	<u>1</u>

### 14 Related party transactions

As the company is a wholly owned subsidiary of Loopsign Limited it has taken advantage of the exemption under section 33.1A of FRS102 from disclosing transactions or balances with entities which form part of the group.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 15 Controlling party

The immediate parent undertaking is London & Regional Group Finance Limited, a company incorporated and registered in England and Wales.

The ultimate parent undertaking is Loopsign Limited, a company incorporated in England and Wales.

London & Regional Group Holdings Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statement as at 30 September 2016. Loopsign Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 September 2016. The consolidated financial statements of Loopsign Limited can be obtained from the company secretary at Quadrant House, Floor 6, 4 Thomas More Square, London E1W 1YW.

The ultimate controlling parties are I.M. Livingstone and R.J. Livingstone through their joint ownership of Loopsign Limited.

### 16 Reconciliations on adoption of FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 30 September 2015. The date of transition to FRS 102 was 1 October 2014. Set out below are the changes in accounting policies which reconcile loss for the year ended 30 September 2015 and the total equity as at 1 October 2014 and 30 September 2015 between UK GAAP as previously reported and FRS 102.

#### Reconciliation of equity

		1 October 2014 £'000	30 September 2015 £'000
	Notes		
Equity as reported under previous UK GAAP		(38,229)	(44,655)
<i>Adjustments arising from transition to FRS 102:</i>			
Derivative financial instruments	1	(80,327)	(86,768)
Equity reported under FRS 102		<u>(118,556)</u>	<u>(131,423)</u>

#### Reconciliation of loss

	2015 £'000
Loss as reported under previous UK GAAP and FRS 102	<u>(6,426)</u>

# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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#### **16 Reconciliations on adoption of FRS 102**

**(Continued)**

##### **Notes to reconciliations on adoption of FRS 102**

###### **1. Derivative financial instruments**

The company holds interest rate swaps to manage the interest rate exposures of floating rate borrowings and holds an inflation swap to manage inflation rate exposures of index linked rents. Under previous UK GAAP these instruments were not recognised in the financial statements. FRS 102 requires interest rate and inflation swaps to be accounted for as derivative financial instruments at fair value through profit or loss, unless designated as cash flow hedges, in which case the changes in fair value of effective hedges are recognised directly in equity.

On transition to FRS 102 the company chose to designate interest rate and inflation swaps as cash flow hedges. This gave rise to a net increase in net liabilities position reported at 1 October 2014 of £80,326,747, being derivative liability of £99,168,824, off-set by the related deferred tax asset of £18,842,077. The changes in the fair value of the effective hedges recognised in other comprehensive income for the year ended 30 September 2015 amounted to an increase in liability of £7,951,623, off-set by an increase in deferred tax asset of £1,510,808. The net effect on the net liabilities position reported at 30 September 2015 was an increase £86,767,562, being the derivative financial liability of £107,120,447 off-set by the related deferred tax asset of £20,352,885.