

Company Registration No. 04476411 (England and Wales)

**LONDON & REGIONAL HOTEL FINANCE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**



# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	Mr R J Livingstone Mr L Sebastian
<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**

## **CONTENTS**

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	<b>Page</b>
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditors' report	5 - 7
Statement of total comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 20

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# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **STRATEGIC REPORT**

### ***FOR THE PERIOD ENDED 31 DECEMBER 2018***

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The directors present their strategic report for the period ended 31 December 2018.

During the period covered by these financial statements, the company and group underwent a significant restructuring exercise. As part of this, the company's accounting reference date was changed from September to December, with the current period financial statements being prepared to 31 December 2018. As a result of these changes, the current period results presented in these financial statements are for a fifteen month period from 1 October 2017 to 31 December 2018.

The company's ultimate parent undertaking also changed during the period as a result of the restructuring of the Loopsign Limited group.

Throughout the financial statements, references to 2017 in respect of items presented within the statement of total comprehensive income and statement of changes in equity mean "year ended 30 September 2017" and references to 2017 in respect of balance sheet items mean balances as at "30 September 2017".

#### **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 £14.4m for the financial period ended 31 December 2018 (2017: loss of £7.9m) and had net liabilities of £160.0m at the same period end (2017: net liabilities of £142.3m).

The directors consider the financial position and future prospects at 31 December 2018 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, London and Regional Group Properties Ltd, 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.

# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

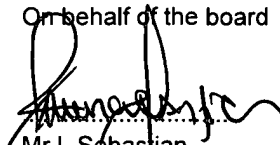
**FOR THE PERIOD ENDED 31 DECEMBER 2018**

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### **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 and Regional Group Property Holdings Ltd. The directors have received confirmation that London and Regional Group Property Holdings Ltd intend to support the company for at least one year after these financial statements are signed.

On behalf of the board



Mr L Sebastian  
Director  
20.11.2019

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## DIRECTORS' REPORT

**FOR THE PERIOD ENDED 31 DECEMBER 2018**

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

### Directors

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

Mr R J Livingstone

Mr R N Luck

Mr L Sebastian

(Resigned 12 April 2018)

(Appointed 29 April 2019)

### Results and dividends

The results for the period are set out on page 8.

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

No ordinary dividends were paid during the period (2017:£nil). The directors do not recommend the payment of a final dividend (2017 £nil).

### Qualifying third party indemnity provisions

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

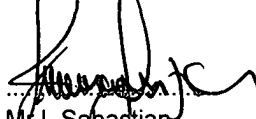
### Independent Auditors

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

### Disclosure of information to Independent 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.

On behalf of the board



Mr L Sebastian

Director

20.11.2019

# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE PERIOD ENDED 31 DECEMBER 2018**

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

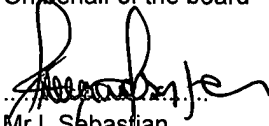
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Mr L Sebastian  
Director  
20.11.2019

# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF LONDON & REGIONAL HOTEL FINANCE LIMITED**

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## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, London & Regional Hotel Finance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the 15 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of total comprehensive income and, the statement of changes in equity for the 15 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.



# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF LONDON & REGIONAL HOTEL FINANCE LIMITED**

#### **(CONTINUED)**

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#### **Reporting on other information (continued)**

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### *Use of this report*

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.

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

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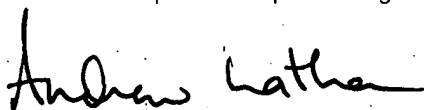
**Other required reporting**

**Companies Act 2006 exception reporting**

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Latham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20 November 2019

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

		Period ended 31 December 2018 £'000	Year ended 30 September 2017 £'000
	Note		
Administrative expenses		-	(15)
<b>Operating result/(loss)</b>	<b>3</b>	-	(15)
Interest receivable and similar income	5	7,368	5,726
Interest payable and similar expenses	6	(11,001)	(13,586)
<b>Loss on ordinary activities before taxation</b>		(3,633)	(7,875)
Tax on loss on ordinary activities	7	(10,734)	-
<b>Loss for the financial period/year</b>		(14,367)	(7,875)
<b>Other comprehensive income/(expense) for the period/year</b>			
Cash flow hedges - change in value of hedging instruments		-	22,991
Tax relating to other comprehensive income		-	(4,368)
<b>Total comprehensive (expense)/income for the period/year</b>		(14,367)	10,748

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

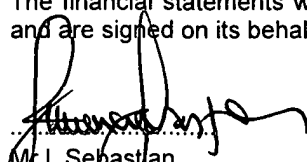
# LONDON & REGIONAL HOTEL FINANCE LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2018

		2018		2017	
	Note	£'000	£'000	£'000	£'000
<b>Current assets</b>					
Debtors falling due after one year	8	59,735		19,568	
Debtors falling due within one year	8	163		89,941	
Cash at bank and in hand		-		5,754	
		59,898		115,263	
<b>Creditors: amounts falling due within one year</b>	9	(169,247)		(154,540)	
<b>Net current liabilities</b>			(109,349)		(39,277)
<b>Creditors: amounts falling due after more than one year</b>	10		(50,657)		(102,991)
<b>Net liabilities</b>			(160,006)		(142,268)
<b>Capital and reserves</b>					
Called up share capital	13		-		-
Hedging reserve			-		(83,422)
Retained deficit			(160,006)		(58,846)
<b>Total equity</b>			(160,006)		(142,268)

The financial statements were approved by the board of directors and authorised for issue on 20.11.2019 and are signed on its behalf by:

  
 Mr L Sebastian  
 Director

Company Registration No. 04476411

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2018

	Called up share capital £'000	Hedging reserve £'000	Retained deficit £'000	Total £'000
<b>Balance at 1 October 2016</b>	-	(102,045)	(50,971)	(153,016)
Loss for the financial year	-	-	(7,875)	(7,875)
<i>Other comprehensive income:</i>				
- Cash flow hedges - change in value of hedging instruments	-	22,991	-	22,991
- Tax relating to other comprehensive income	-	(4,368)	-	(4,368)
<b>Total comprehensive income for the year</b>	-	18,623	(7,875)	10,748
<b>Balance at 30 September 2017</b>	-	(83,422)	(58,846)	(142,268)
Loss for the financial period	-	-	(14,367)	(14,367)
Losses on RPI swap	-	(3,371)	-	(3,371)
Transfer from hedging reserve	-	86,793	(86,793)	-
<b>Balance at 31 December 2018</b>	-	-	(160,006)	(160,006)

# **LONDON & REGIONAL HOTEL FINANCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2018**

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### **1 Accounting policies**

#### **General information**

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

The principal activities of London & Regional Hotel Finance Limited is acting as a treasury company for group undertakings.

#### **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 on a going concern basis and 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.

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

FRS 102 allows a qualifying entity certain disclosure exemptions 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 London and Regional Group Properties Ltd 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 and Regional Group Property Holdings Ltd. The directors have received confirmation that London and Regional Group Property Holdings Ltd 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 PERIOD ENDED 31 DECEMBER 2018

### 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 balance sheet 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 publicly 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 PERIOD ENDED 31 DECEMBER 2018

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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 payments 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 period. 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 PERIOD ENDED 31 DECEMBER 2018

### 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 undertakings**

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 result/(loss)

	Period ended 31 December 2018 £'000	Year ended 30 September 2017 £'000
Operating result/(loss) for the period/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 and Regional Properties Limited.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 DECEMBER 2018

#### 4 Directors' remuneration

The directors did not receive any emoluments in respect of their services to the company (2017: £nil). The company has no employees other than the directors (2017:£nil).

#### 5 Interest receivable and similar income

	Period ended 31 December 2018 £'000	Year ended 30 September 2017 £'000
Interest on bank deposits	921	4
Interest receivable from group companies	-	5,722
Gains from derivatives	6,447	-
	<u>7,368</u>	<u>5,726</u>

During period ended 31 December 2018, hedge accounting was not applied and £6.5m gains from derivatives are recognised in the income statement.

#### 6 Interest payable and similar expenses

	Period ended 31 December 2018 £'000	Year ended 30 September 2017 £'000
Interest on bank overdrafts and loans	10,961	13,465
Amortisation of loan fees	40	121
	<u>11,001</u>	<u>13,586</u>

#### 7 Tax on loss on ordinary activities

	Period ended 31 December 2018 £'000	Year ended 30 September 2017 £'000
<b>Current tax</b>		
Tax credit on loss for the period/year	(690)	(1,536)
Adjustments in respect of previous periods	(9,509)	-
Losses surrendered to group undertakings	10,199	1,536
	<u>-</u>	<u>-</u>
<b>Total current tax</b>		

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

### 7 Tax on loss on ordinary activities (Continued)

#### Deferred tax

Origination and reversal of timing differences	10,734	-
Total deferred tax	10,734	-
Total tax charge/result for the period/year	10,734	-

#### Factors affecting tax charge/result for the period/year

From 1 April 2017 the rate of corporation tax has reduced from 20% to 19%, giving a blended average rate for the prior year of 19.5%. The rate of corporation tax for the current period is 19%.

The actual charge/result for the period/year can be reconciled to the expected credit for the period/year based on the profit or loss and the standard rate of tax as follows:

	Period ended 31 December 2018 £'000	Year ended 30 September 2017 £'000
Loss on ordinary activities before taxation	(3,633)	(7,875)
Expected tax credit based on the standard/blended rate of corporation tax in the UK of 19% (2017: 19.5%)	(690)	(1,536)
Origination and reversal of timing differences	10,734	-
Adjustments in respect of previous periods	(9,509)	-
Surrender of tax losses	10,199	1,536
Tax charge/result for the period/year	10,734	-

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:

	Period ended 31 December 2018 £'000	Year ended 30 September 2017 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(791)	4,368

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

### 7 Tax on loss on ordinary activities

(Continued)

The company has surrendered the benefit of tax losses amounting to £53.7m (2017:£7.9m) to fellow subsidiary undertakings without receiving any payment.

#### Factors which may affect future tax charges

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

### 8 Debtors

	2018 £'000	2017 £'000
<b>Amounts falling due within one year:</b>		
Amounts due from fellow group undertakings	-	89,941
Prepayments and accrued income	163	-
	<u>163</u>	<u>89,941</u>

Amounts due from fellow group undertakings are interest free, unsecured and repayable on demand.

	Note	2018 £'000	2017 £'000
<b>Amounts falling due after more than one year:</b>			
Prepayments and accrued income		50,110	-
Deferred tax asset	12	9,625	19,568
		<u>59,735</u>	<u>19,568</u>
<b>Total debtors</b>		<u>59,898</u>	<u>109,509</u>

Prepayments and accrued income due after one year comprise collateral held by the counterparty of the interest rate swap and is equivalent to the estimated future swap payments over the remaining term of the swap. The funds to cash collateralize the swaps were provided by London and Regional Group Finance Limited.

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

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

	Note	2018 £'000	2017 £'000
Bank loans and overdrafts	11	-	151,867
Amounts due to fellow group undertakings		167,910	-
Accruals and deferred income		1,337	2,673
		<u>169,247</u>	<u>154,540</u>

The bank loans are stated net of finance charges of £nil (2017:£40,230).

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

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

	2018 £'000	2017 £'000
Derivative financial instruments	<u>50,657</u>	<u>102,991</u>

#### Derivative financial instruments - Interest rate swaps

During the period, the company no longer applies hedge accounting as the external debt was transferred upon refinancing to a fellow group undertaking and therefore not an effective hedge.

In the previous period, the company applied hedge accounting as the company borrowed at floating rates of interest and subsequently used derivative financial instruments in the form of interest rate swaps to receive interest at LIBOR % and pay fixed interest of 5.24% p.a. The swaps were based on principal amounts of the company's outstanding bank loans and mature on 20 January 2028.

The instruments are part of historical group financing. The hedging arrangement fixes the total interest payable on the outstanding group loans at 5.24% p.a.

The fair value of the interest rate swaps at the year end was £49.9m (2017: £57m).

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

During the period, the company no longer applies hedge accounting as the external debt was transferred upon refinancing to a fellow group undertaking. The RPI swap was settled by the entity with its terms novated for the remaining years.

In the previous period, the company applied hedge accounting as a fellow group company received rent indexed annually to RPI (capped at 3.5%) to which the company employed derivative financial instruments in the form of an inflation rate swap to receive a fixed amount per quarter. The swap matures on 20 October 2027 and was entered into pursuant to bank loans made to the fellow group company.

The fair value of the RPI swaps at the year end was £0.7m (2017: £50m).

# LONDON & REGIONAL HOTEL FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

### 11 Bank loans and overdrafts

	2018 £'000	2017 £'000
Bank loans	-	151,867
	<u>-</u>	<u>151,867</u>
Payable within one year	-	151,867
	<u>-</u>	<u>151,867</u>

During the period, the company settled its outstanding bank loan with funds provided by a fellow group undertaking.

### 12 Deferred taxation

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

	Assets 2018 £'000	Assets 2017 £'000
<b>Balances:</b>		
Derivative financial instruments	9,625	19,568
	<u>9,625</u>	<u>19,568</u>
<b>Movements in the period:</b>		£'000
Asset at 1 October 2017		19,568
Charged to profit or loss		(10,734)
Credit to other comprehensive income		791
Asset at 31 December 2018		<u>9,625</u>

### 13 Called up share capital

	2018 £	2017 £
<b>Issued and fully paid</b>		
1 (2017:1) ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

### 14 Related party transactions

As the company is a wholly owned subsidiary of London and Regional Group Properties Ltd, 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 PERIOD ENDED 31 DECEMBER 2018***

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### **15 Controlling party**

The immediate parent undertaking is London and Regional Group Property Holdings Ltd, a company incorporated and registered in England and Wales.

The ultimate parent undertaking is London and Regional Group Properties Ltd, a company incorporated in England and Wales.

London and Regional Group Property Holdings Ltd is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 31 December 2018. London and Regional Group Properties Ltd is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of London and Regional Group Property Holdings Ltd and London and Regional Group Properties Ltd 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 London and Regional Group Properties Ltd.