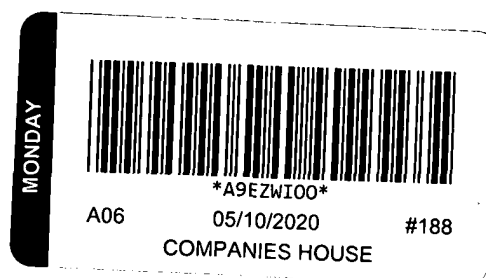


LONDON & REGIONAL (EMPIRE) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



LONDON & REGIONAL (EMPIRE) LIMITED

COMPANY INFORMATION

Directors	Mr L Sebastian Mr R J Livingstone
Company number	04524346
Registered office	Quadrant House, Floor 6 4 Thomas More Square London E1W 1YW
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

LONDON & REGIONAL (EMPIRE) LIMITED

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LONDON & REGIONAL (EMPIRE) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

In the current year the company's results are presented for the year from 1 January 2019 to 31 December 2019.

In the previous period the company's accounting reference date was changed from 30 September to 31 December. As a result the comparative results presented in these financial statements are for a 15 month period from 1 October 2017 to 31 December 2018.

Principal activities, fair review of the business and future developments

The company acts as a commercial property investment company. The company made a profit of £1.0m for the year ended 31 December 2019 (2018: £4.5m) and had net assets of £51.8m at year end (2018: £51.9m).

The directors consider the financial position and future prospects at 31 December 2019 to be satisfactory. The directors expect Covid-19 to impact the company's trading activities and future profitability.

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. The directors of the company have reviewed the company's exposure to credit risk, liquidity risk and cashflow risk. These risks and uncertainties 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. 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.

Key performance indicators

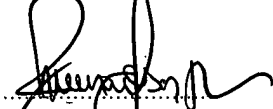
The company is managed by the directors in accordance with the strategies of its ultimate parent company, London and Regional Group Properties Ltd. For this reason, the directors believe that key performance indicators for the company are not necessary or appropriate for an understanding of the development, 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.

Subsequent events

Subsequent to the year end the impact of COVID-19 on the UK economy took hold towards the end of March 2020 and it has subsequently had a significant impact on the wider economy as well as the company's areas of operations.

COVID-19 is viewed as a non-adjusting event for the purposes of these financial statements however the directors have had to consider its potential impact on the business when considering the ability of the company to operate as a going concern.

On behalf of the board



Mr L Sebastian

Director

28/9/2020

LONDON & REGIONAL (EMPIRE) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the report and audited financial statements for the year ended 31 December 2019.

Directors

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

Mr L Sebastian

Mr R J Livingstone

(Appointed 29 April 2019)

Results and dividends

The results for the year are set out on page 7.

The business review, future developments and financial risk management are included in the strategic report.

No ordinary dividends were paid during the year (2018: £nil). The directors do not recommend payment of a final dividend (2018: £nil).

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.

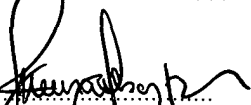
Independent Auditors

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

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 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

28/9/2020

LONDON & REGIONAL (EMPIRE) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

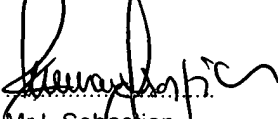
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial 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
28/9/2020

LONDON & REGIONAL (EMPIRE) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LONDON & REGIONAL (EMPIRE) LIMITED

Opinion

We have audited the financial statements of London & Regional (Empire) Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement 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 their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit 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.

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 Auditors' 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, 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 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.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

- 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; 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.

LONDON & REGIONAL (EMPIRE) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF LONDON & REGIONAL (EMPIRE) LIMITED

Responsibilities for the financial statements and the audit

Responsibilities of directors for the financial statements

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 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 determines 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 intends 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 auditors' 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.

LONDON & REGIONAL (EMPIRE) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF LONDON & REGIONAL (EMPIRE) LIMITED

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
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LONDON & REGIONAL (EMPIRE) LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019 £	Period ended 31 December 2018 £
	Note		
Turnover	3	3,264,076	4,034,957
Cost of sales		(178,907)	(178,497)
Gross profit		3,085,169	3,856,460
Administrative expenses		(96,599)	(125,894)
Fair value gains on investment properties		-	3,540,000
Operating profit	4	2,988,570	7,270,566
Interest receivable and similar income	6	3,680	873
Interest payable and similar expenses	7	(1,760,904)	(2,242,320)
Profit on ordinary activities before taxation		1,231,346	5,029,119
Tax on profit on ordinary activities	8	(233,956)	(559,000)
Profit for the financial year/period		997,390	4,470,119
Other comprehensive (expense)/income			
Cash flow hedges - change in value of hedging instrument		(1,384,303)	8,671
Tax relating to other comprehensive (expense)/income		263,018	(1,647)
Total comprehensive (expense)/income for the year/period		(123,895)	4,477,143

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

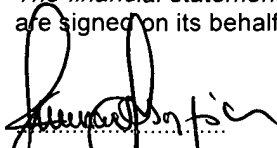
LONDON & REGIONAL (EMPIRE) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 £	£	2018 £	£
Fixed assets					
Investment properties	9	88,000,000		88,000,000	
Current assets					
Debtors	10	19,148,225		19,169,058	
Cash at bank and in hand		1,189,000		573,544	
		20,337,225		19,742,602	
Creditors: amounts falling due within one year	11	(2,433,881)		(2,128,594)	
Net current assets		17,903,344		17,614,008	
Total assets less current liabilities		105,903,344		105,614,008	
Creditors: amounts falling due after more than one year	12	(47,790,110)		(47,113,861)	
Provisions for liabilities	14	(6,331,259)		(6,594,277)	
Net assets		51,781,975		51,905,870	
Capital and reserves					
Called up share capital	16	1,455,001		1,455,001	
Hedging reserve		(1,346,050)		(224,765)	
Retained earnings		51,673,024		50,675,634	
Total equity		51,781,975		51,905,870	

The financial statements were approved by the board of directors and authorised for issue on 28/9/2020 and are signed on its behalf by:


Mr L Sebastian
Director

Company Registration No. 04524346

LONDON & REGIONAL (EMPIRE) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
Balance at 1 October 2017	1,455,001	(231,789)	46,205,515	47,428,727
Profit for the financial period	-	-	4,470,119	4,470,119
<i>Other comprehensive income/(expense):</i>				
Movements in cash flow hedges	-	8,671	-	8,671
Tax relating to other comprehensive income	-	(1,647)	-	(1,647)
Total comprehensive income for the period	-	7,024	4,470,119	4,477,143
Balance at 31 December 2018	1,455,001	(224,765)	50,675,634	51,905,870
Profit for the financial year	-	-	997,390	997,390
<i>Other comprehensive (expense)/income:</i>				
Movements in cash flow hedges	-	(1,384,303)	-	(1,384,303)
Tax relating to other comprehensive expense	-	263,018	-	263,018
Total comprehensive expense for the financial year	-	(1,121,285)	997,390	(123,895)
Balance at 31 December 2019	1,455,001	(1,346,050)	51,673,024	51,781,975

Included within retained earnings is an amount of £48,060,401 (2018: £48,060,401) relating to gains from investment property revaluation and related deferred tax which is non-distributable.

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

London & Regional (Empire) Limited acts as a commercial property investment company and 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.

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

These financial statements have been prepared on a going concern basis, under the historical cost convention, modified to include the revaluation of investment properties and certain financial instruments at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

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 £.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

1.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

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;
- 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; and
- from the requirement to disclose transactions or balances with entities which form part of the group as required by paragraph 33.1A of FRS102.

1.4 Turnover

Turnover represents rental income and recoverable expenses, net of value added tax. Rental income is recognised over the term of the lease on a straight-line basis. The aggregate cost of incentives is deducted from the rental income and allocated to the statement of comprehensive income over the lease term or to the next rent review date, whichever is shorter. Sales income is recognised when the financial risks and rewards are transferred.

The total turnover of the company for the year has been derived from its principal activity, wholly undertaken in the UK.

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value as at the reporting end date. The surplus or deficit on revaluation is recognised in the statement of total comprehensive income.

Where fair value cannot be determined without undue cost or effort, investment property is accounted for as tangible assets.

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 are assessed for indicators of impairment at each reporting 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.

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

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.

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 transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.9 Hedge accounting

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line.

The gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.10 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.

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.

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Critical accounting judgements and 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. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the entity's accounting policies

The directors have not applied any judgements in applying the company's accounting policies.

b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Investment properties

Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate, however there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

Recoverability of debtors and amounts from fellow group undertakings

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

3 Turnover

An analysis of the company's turnover is as follows:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Net rental income		
Rental income	3,085,169	3,856,460
Recoverable property expenses	178,907	178,497
Turnover	3,264,076	4,034,957
Recoverable property expenses	(178,907)	(178,497)
Property outgoings	(178,907)	(178,497)
Net rental income	3,085,169	3,856,460

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating profit

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Operating profit for the year/period is stated after charging:		

Fees payable to the company's auditors for the audit of the company's financial statements

-	-
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Auditors' remuneration has been borne by fellow subsidiary company, London and Regional Properties Limited.

5 Directors' remuneration

The directors did not receive any emoluments in respect of their services to the company (2018 : £nil). The company has no employees (2018: none) other than the directors.

The above details of directors' emoluments do not include the emoluments which are paid by a fellow subsidiary and recharged to the company as part of a management charge. This management charge, which in 2019 amounted to £92,555 (2018: £115,694), also includes a recharge of administration costs borne by the fellow subsidiary on behalf of the company and it is not possible to identify separately the amount of the directors' emoluments. Mr R J Livingstone is a director of the ultimate parent company and a number of fellow subsidiary companies, and his total emoluments are included in the aggregate of directors' emoluments included in the financial statements of the ultimate parent company. Mr L Sebastian is a director of the intermediate parent company and a number of fellow subsidiary companies. The emoluments of Mr L Sebastian are included in the aggregate directors emoluments of the financial statements of the intermediate parent company.

6 Interest receivable and similar income

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Interest on bank deposits	3,680	873

7 Interest payable and similar expenses

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Interest on bank overdrafts and loans	1,673,459	2,133,014
Amortization of loan fees	87,445	109,306
	<u>1,760,904</u>	<u>2,242,320</u>

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Tax on profit on ordinary activities

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Current tax		
UK corporation tax on profits for the current year/period	233,956	-
Deferred tax		
Origination and reversal of timing differences	-	559,000
Total tax charge	233,956	559,000

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

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Profit on ordinary activities before taxation	1,231,346	5,029,119
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	233,956	955,533
Tax effect of income not taxable in determining taxable profit	-	672,600
Effect of revaluations of investments	-	559,000
Utilisation of tax losses	-	(1,628,133)
Tax charge for the year/period	233,956	559,000

In addition to the amount charged to the statement of comprehensive income, the following amounts related to tax have been recognized directly in other comprehensive income.

	2019 £	2018 £
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(263,018)	1,647

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Tax on profit on ordinary activities

The corporation tax charge in 2018 was reduced by £1,628,133 as a result of losses surrendered by fellow subsidiary undertakings. No payment for this surrender was made by the company.

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

9 Investment properties

	£
Fair value	
At 1 January 2019 and 31 December 2019	<u>88,000,000</u>

The investment property was valued by the directors after taking advice from a professional valuer on an open market value basis at 31 December 2019. The valuation has been made in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom.

10 Debtors

	2019 £	2018 £
Trade debtors	4,852	-
Amounts due from fellow group undertakings	19,136,336	19,169,058
Prepayments and accrued income	7,037	-
	<u>19,148,225</u>	<u>19,169,058</u>

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

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Creditors: amounts falling due within one year

	Note	2019 £	2018 £
Bank loans and overdrafts	13	708,055	708,055
Trade creditors		138,832	-
Taxation and social security		365,884	154,258
Accruals and deferred income		1,221,110	1,266,281
		<u>2,433,881</u>	<u>2,128,594</u>

The bank loan is stated net of finance charges of £87,445 to be allocated to the following year (2018: £87,445).

12 Creditors: amounts falling due after more than one year

	Note	2019 £	2018 £
Bank loans and overdrafts	13	46,128,319	46,836,373
Derivative financial instruments		1,661,791	277,488
		<u>47,790,110</u>	<u>47,113,861</u>

The bank loan is stated net of finance charges of £109,306 to be allocated to future periods (2018: £196,751).

Derivative financial instruments

The company borrows at floating rates of interest and then employs derivative financial instruments in the form of an interest rate swap to receive interest at 3 months GDP LIBOR and pay fixed interest of 1.38% per annum. The swap is based on the principal amounts of the company's outstanding bank loans and matures on 24 March 2027.

The instrument is used to hedge the company's exposure to interest rate movements on the outstanding bank loans. The fair value of the interest rate swap as at year end was a liability of £1,661,791 (2018: £277,488). The company has elected to apply hedge accounting. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income.

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

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Bank loans and overdrafts

	2019 £	2018 £
Bank loans and overdrafts	46,836,374	47,544,428
Payable within one year	708,055	708,055
Payable between one and two years	708,055	708,055
Payable between two and five years	45,420,264	46,128,318

The bank loan is secured over the company's freehold property and the rental income derived therefrom and by fixed and floating charges over the assets of the company. It is repayable in full on 24 March 2022. The facility bears an interest at an effective fixed rate of 3.53% per annum.

14 Provisions for liabilities

	Note	2019 £	2018 £
Deferred tax liabilities	15	6,331,259	6,594,277

15 Deferred tax

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

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Investment property	6,647,000	6,647,000
Derivative financial instruments	(315,741)	(52,723)
	6,331,259	6,594,277
Movements in the year:		£
Liability at 1 January 2019		6,594,277
Credit to other comprehensive expense		(263,018)
Liability at 31 December 2019		6,331,259

LONDON & REGIONAL (EMPIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Called up share capital

	2019	2018
	£	£
Ordinary share capital		
<i>Issued and fully paid</i>		
1,455,001 (2018: 1,455,001) ordinary shares of £1 each	<u>1,455,001</u>	<u>1,455,001</u>

17 Related party transactions

As the company is a wholly owned subsidiary of London and Regional Group Properties Ltd, the company 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.

18 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 2019. London and Regional Group Properties Ltd is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of London and Regional Group Property Holdings Ltd and London and Regional 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.

19 Events after the reporting date

Subsequent to the year end the impact of COVID-19 on the UK economy took hold towards the end of March 2020 and it has subsequently had a significant impact on the wider economy as well as the company's areas of operations.

COVID-19 is viewed as a non-adjusting event for the purposes of these financial statements however the directors have had to consider its potential impact on the business when considering the ability of the company to operate as a going concern.