

Registered number
05788421

London & Regional (HC Properties) Limited
Annual report and financial statements
for the year ended 30 September 2011



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London & Regional (HC Properties) Limited
Annual report and financial statements for the year ended 30 September 2011
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London & Regional (HC Properties) Limited
Company information for the year ended 30 September 2011

Directors

Mr R J Livingstone
Mr R N Luck

Company secretary

Mr R N Luck

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Registered office

Quadrant House, Floor 6
4 Thomas More Square
London
E1W 1YW

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London & Regional (HC Properties) Limited
Directors' report for the year ended 30 September 2011

The directors present their report and the audited financial statements for the year ended 30 September 2011

Principal activities

The company acts as a property investment and holding company. The directors consider the financial position at 30 September 2011 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 fluctuating market place, which can result in large movements in foreign exchange and investment valuations. 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 director believes 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.

Results and dividends

The results for the financial year are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (2010: £nil).

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 (Health Clubs No. 2) Limited. The directors have received confirmation that London & Regional (Health Clubs No. 2) Limited intend to support the company for at least one year after these financial statements are signed.

Directors

The directors of the company who served during the year and up to the date of signing the financial statements were as follows:

Mr R J Livingstone
Mr R N Luck

Qualifying third party indemnity provisions

The company maintains liability insurance for its director and officer. Following shareholder approval, the Company has also provided an indemnity for its director and the company secretary, which is a qualifying indemnity provision for the purposes of the Companies Act 2006.

Disclosure of information to auditors

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

In the absence of a notice proposing that their appointment be terminated, PricewaterhouseCoopers LLP, are deemed to have been re-appointed as auditors for the next year.

By order of the board



Mr R N Luck
Company Secretary
23 February 2012

London & Regional (HC Properties) Limited
Statement of directors' responsibilities for the year ended 30 September 2011

The directors are responsible for preparing the 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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
Company Secretary
23 February 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LONDON & REGIONAL (HC PROPERTIES) LIMITED

We have audited the financial statements of London & Regional (HC Properties) Limited for the year ended 30 September 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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). 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.

Scope of the audit of the financial statements

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 director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.



Suzanne Woolfson (Senior Statutory Auditor)

For and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

23 February 2012

London & Regional (HC Properties) Limited
Profit and loss account
for the year ended 30 September 2011

	Note	2011 £	2010 £
Turnover		13,921,788	13,582,232
Administrative expenses		(418,016)	(463,854)
Operating profit	3	<u>13,503,772</u>	<u>13,118,378</u>
Interest receivable and similar income		7,071	3,023
Interest payable and similar charges	5	(13,540,212)	(13,631,600)
Loss on ordinary activities before taxation		<u>(29,369)</u>	<u>(510,199)</u>
Tax on loss on ordinary activities	6	-	-
Loss for the financial year		<u>(29,369)</u>	<u>(510,199)</u>

All amounts relate to continuing operations

There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical costs equivalents

London & Regional (HC Properties) Limited
Statement of total recognised gains and losses
for the year ended 30 September 2011

	Note	2011 £	2010 £
Loss for the financial year		(29,369)	(510,199)
Unrealised (deficit)/surplus on revaluation of properties	7	(8,530,000)	3,622,000
Total recognised gains and losses related to the year		<u>(8,559,369)</u>	<u>3,111,801</u>

London & Regional (HC Properties) Limited
Balance sheet
as at 30 September 2011

Registered number
05788421

	Note	2011 £	2010 £
Fixed assets			
Investment properties	7	200,300,000	208,830,000
Investments	8	<u>36,391,569</u>	<u>36,391,569</u>
		236,691,569	245,221,569
Current assets			
Debtors	9	1,426,565	1,060,352
Cash at bank and in hand		<u>5,048,831</u>	<u>3,157,644</u>
		6,475,396	4,217,996
Creditors' amounts falling due within one year	10	(87,110,195)	(83,144,853)
Net current liabilities		<u>(80,634,799)</u>	<u>(78,926,857)</u>
Total assets less current liabilities		156,056,770	166,294,712
Creditors' amounts falling due after more than one year	11	(179,694,879)	(181,373,452)
Net liabilities		<u>(23,638,109)</u>	<u>(15,078,740)</u>
Capital and reserves			
Called up share capital	14	1	1
Revaluation reserve	15	(21,700,000)	(13,170,000)
Profit and loss reserve	16	(1,938,110)	(1,908,741)
Total shareholder's deficit	17	<u>(23,638,109)</u>	<u>(15,078,740)</u>

These financial statements were approved by the Board of Directors on 23 February 2012 and signed on its behalf by



Mr R N Luck
Director

23 February 2012

London & Regional (HC Properties) Limited
Notes to the financial statements
for the year ended 30 September 2011

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of investment properties, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

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 (Health Clubs No 2) Limited. The directors have received confirmation that London & Regional (Health Clubs No 2) Limited intend to support the company for at least one year after these financial statements are signed.

Turnover

Turnover represents rental income, net of value added tax, which is recognised over the term of the lease on a straight-line basis.

Depreciation

Compliance with the Statement of Standard Accounting Practice (SSAP 19) "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 2006 relating to depreciation and an explanation for the departure is given below.

Investment properties

In accordance with SSAP 19, investment properties are revalued by the director annually on an open market basis and independently valued when required by SSAP 19. Any changes in the market value of investment properties are taken to the statement of total recognised gains and losses and transferred to the revaluation reserve, unless a deficit (or its reversal) on an individual investment property is expected to be permanent, in which case it is charged (or credited) in the profit and loss account of the period.

No depreciation is provided in respect of investment properties. The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with SSAP 19 and the director considers that to depreciate would not give a true and fair view.

The depreciation (which would, had the provisions of the Act been followed, have increased the loss for the year) is only one of the factors reflected in the valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

Finance costs

Finance costs, including issue costs which are initially recognised as a reduction in the proceeds of the associated capital instrument, are amortised over the period of the loans in accordance with FRS 4 'Capital instruments'.

Deferred taxation

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that give rise to an obligation to pay more or less tax in the future. Deferred tax is not recognised when fixed assets are revalued unless, by the balance sheet date, there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

London & Regional (HC Properties) Limited
Notes to the financial statements
for the year ended 30 September 2011

1 Accounting policies (continued)

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Cash flow statement

The company has taken advantage of the exemption permitted by Financial Reporting Standard 1, (revised 1996) 'Cash flow statements' from including a cash flow statement on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement.

Exemption from consolidation

The financial statements contain information about London & Regional (HC Properties) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its intermediate parent, London & Regional Group Holdings Limited, a company incorporated in England and Wales.

2 Turnover

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

3 Operating profit

2011
£

2010
£

This is stated after charging

Auditors' remuneration

-

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

4 Directors' emoluments

The directors did not receive any emoluments in respect of their services to the company (2010: £nil).
The company has no employees (2010: nil) 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 2011 amounted to £417,654 (2010: £407,467), 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 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. The total emoluments of Mr Livingstone are included in the aggregate of directors' emoluments included in the financial statements of the 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 parent company.

5 Interest payable and similar charges

2011
£

2010
£

Bank loans and overdrafts

13,250,745

13,337,646

Amortisation of loan fees

289,467

293,954

13,540,212

13,631,600

London & Regional (HC Properties) Limited
Notes to the financial statements
for the year ended 30 September 2011

6 Tax on loss on ordinary activities

No taxation is considered payable due to the taxable loss in the year

Factors affecting tax charge for period

From 01 April 11 the rate of corporation tax has reduced from 28% to 26%, giving a blended average rate for the year of 27%

The tax assessed for the year is different (2010 different) to the blended/standard rate of corporation tax in the UK of 27% (2010 28%) The differences are explained below

	2011 £	2010 £
Loss on ordinary activities before taxation	(29,369)	(510,199)
Standard rate of corporation tax in the UK	27%	28%
	£	£
Loss on ordinary activities multiplied by the blended/standard rate of corporation tax	(7,930)	(142,856)
Effects of Surrender of tax losses	7,930	142,856
Total current tax charge	-	-

The company surrendered the benefit of tax losses amounting to £29,369 (2010 £510,199) to fellow subsidiary undertakings without receiving any payment

No provision has been made for deferred tax on gains recognised on revaluing the property to its open market value. The directors have no intention of selling the property, and therefore, at present, it is not envisaged that any tax will become payable in the foreseeable future. The directors consider that it is too onerous to provide an estimate of the tax that would be payable if the property was sold at the value shown. Such a tax estimate is not considered meaningful as properties are often divested through the sale of companies.

Factors that may affect future tax charges

Reductions to the UK corporation tax rate were announced in the March 2011 Budget. The changes, which were enacted on 19 July 2011, reduce the rate by 1% per annum to 23% by 1 April 2014. These changes have no impact on these financial statements.

7 Investment properties

	Freehold land and buildings £	Long leasehold land and buildings £	Total £
Valuation			
At 1 October 2010	167,789,000	41,041,000	208,830,000
Deficit on revaluation	(6,889,000)	(1,641,000)	(8,530,000)
At 30 September 2011	160,900,000	39,400,000	200,300,000
 Historical cost	 178,490,000	 43,510,000	 222,000,000

The investment property was valued by the director after taking independent advice from a professional valuer on an open market value basis at 30 September 2011. The valuation has been made in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom.

London & Regional (HC Properties) Limited
Notes to the financial statements
for the year ended 30 September 2011

8 Investments

**Investments in
subsidiary
undertakings
£**

Cost	
At 1 October 2010 and at 30 September 2011	<u>36,391,569</u>

The company holds 100% of the share capital of the following company

Company	Class	Shares held	%
Yorkmeadow Limited	Ordinary		100

The principal activities of the company are property investment. The company is incorporated in England and Wales.

The director believes that the carrying value of the investments is supported by their underlying net assets.

9 Debtors

	2011 £	2010 £
Amounts owed by group undertakings	1,426,564	1,060,351
Other debtors	<u>1</u>	<u>1</u>
	<u>1,426,565</u>	<u>1,060,352</u>

The amounts owed by group undertakings are interest free, repayable on demand, and unsecured.

10 Creditors amounts falling due within one year

	2011 £	2010 £
Trade creditors	-	56,048
Amounts owed to group undertakings	82,252,749	80,003,757
Financing costs	(293,954)	(293,954)
Taxation	233,088	198,978
Other creditors	1,708,324	725
Accruals and deferred income	<u>3,209,988</u>	<u>3,179,299</u>
	<u>87,110,195</u>	<u>83,144,853</u>

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

11 Creditors amounts falling due after more than one year

	2011 £	2010 £
Bank loans (note 12)	<u>179,694,879</u>	<u>181,373,452</u>

Bank loans are stated net of finance charges of £385,815 (2010: £679,769) to be allocated to future periods. In the prior year, bank loans were previously shown gross of finance charges and consequently have been reclassified for comparative purposes.

London & Regional (HC Properties) Limited
Notes to the financial statements
for the year ended 30 September 2011

12 Loans	2011	2010
	£	£
Loans wholly repayable within five years		
Bank Loan	<u>179,400,925</u>	<u>181,079,498</u>

Analysis of maturity of debt		
Between two and five years	<u>179,400,925</u>	<u>181,079,498</u>

The bank loan is secured over the investment properties of the company and those of related undertakings. The loan is repayable from net rental income after bank interest and by a bullet on 23 January 2014. It bears interest at a margin of 1.75% (2010: 1.75%) over three month LIBOR. Interest rate swaps at a blended fixed rate of 5.30% (2010: 5.28%) have been taken out to hedge LIBOR fluctuations.

13 Fair values of financial instruments

The company borrows at both fixed and floating rates of interest and then employs derivative financial instruments in the form of interest rate swaps to manage the company's exposure to interest rate fluctuations. The fair value of the interest rate swaps outstanding is a negative £20.5m (2010: negative £26.2m) at the balance sheet date.

14 Called up share capital	2011	2010
	£	£
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

	Nominal value	2011 Number	2011 £	2010 £
Allotted and fully paid Ordinary shares	£1 each	1	<u>1</u>	<u>1</u>

15 Revaluation reserve	2011
	£
At 1 October 2010	(13,170,000)
Arising on revaluation during the year	<u>(8,530,000)</u>
At 30 September 2011	<u>(21,700,000)</u>

16 Profit and loss reserve	2011
	£
At 1 October 2010	(1,908,741)
Loss for the financial year	<u>(29,369)</u>
At 30 September 2011	<u>(1,938,110)</u>

17 Reconciliation of movement in shareholder's deficit	2011	2010
	£	£
At 1 October	(15,078,740)	(18,190,541)
Loss for the financial year	(29,369)	(510,199)
Other recognised gains and losses	<u>(8,530,000)</u>	<u>3,622,000</u>
At 30 September	<u>(23,638,109)</u>	<u>(15,078,740)</u>

London & Regional (HC Properties) Limited
Notes to the financial statements
for the year ended 30 September 2011

18 Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is wholly owned subsidiary of a group headed by Loopsign Limited, whose financial statements are publicly available

19 Parent undertaking

The immediate parent undertaking is London & Regional (Health Clubs) Limited

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 statements as at 30 September 2011. Loopsign Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 September 2011. 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