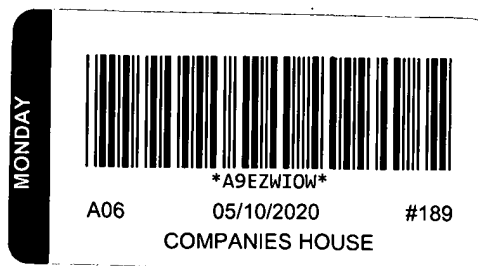


LONDON & REGIONAL (HC PROPERTIES) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



LONDON & REGIONAL (HC PROPERTIES) LIMITED

COMPANY INFORMATION

Directors	Mr R J Livingstone Mr L Sebastian
Company number	05788421
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 (HC PROPERTIES) LIMITED

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LONDON & REGIONAL (HC PROPERTIES) 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 included in these financial statements are for a 15 month period from 1 October 2017 to 31 December 2018.

Principal activities, review of the business and future developments

The company acts as a property investment and holding company. The company made a profit of £19.2m (2018: profit of £15.1m) for the financial year ended 31 December 2019. Net assets as at 31 December 2019 were £136.2m (2018: net assets of £118.7m).

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. 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 company is not exposed to interest rate risk as its external loan bears a fixed rate of interest through an underlying derivative. 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 strategies of its ultimate parent company, London & Regional Group Properties Ltd, and 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.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern

Subsequent to the year end, the company has been in default of one of the loan financial covenants as a result of the impact of Covid-19 on the trading activities of the business and the directors have obtained a waiver from the lender in respect of such default. This waiver however does not cover a full period of 12 months from the date of signing these financial statements. Whilst the directors have reasonable expectations, based on discussions with the lender, that the waiver will be extended, as at the date of signing these financial statements there is some uncertainty as to whether the waiver will be extended and what the impact on the company's operations and the position in respect of the continued provision of external funding to the business will be if the waiver is not extended.

These circumstances indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include any adjustments that might arise should the company cease to be a going concern.

The company was in a net current liabilities position as at 31 December 2019, this position is due to the amounts payable to group undertakings. The directors have received confirmation from London and Regional Properties Limited, to who £1.9m was owed at the balance sheet date, that it will not call for repayment of this amount for at least twelve months from the date of signing these financial statements.

The directors have received confirmation from the immediate parent company, London and Regional Group Property Holdings Ltd, that it intends to provide the necessary financial support for at least twelve months from the date of signing these financial statements. However, it has to be in extremis, that this support may not be forthcoming and therefore there remains a material uncertainty on going concern.

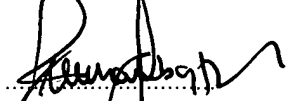
The directors continue to adopt the going concern basis of preparing the financial statements.

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

30/9/2020

LONDON & REGIONAL (HC PROPERTIES) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors

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

Mr R J Livingstone

Mr L Sebastian

(Appointed 29 April 2019)

Results and dividends

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

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

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

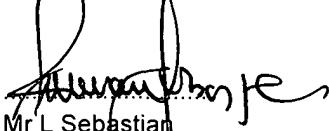
Independent Auditors

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

Statement of 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
30/9/2020

LONDON & REGIONAL (HC PROPERTIES) 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.

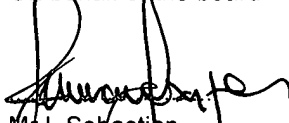
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial 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
30/9/2020

LONDON & REGIONAL (HC PROPERTIES) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LONDON & REGIONAL (HC PROPERTIES) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, London & Regional (HC Properties) Limited's 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 (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 2019; the statement of total comprehensive income, the statement of changes in equity for the year 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.4 to the financial statements concerning the company's ability to continue as a going concern. Subsequent to the year end, the company has experienced a reduction in rental income in 2020 and consequently has been in default of one of the loan financial covenants. In light of this, the company obtained a waiver from the bank in relation to the default. The bank waiver obtained in regard to this does not however cover a period of at least twelve months from the date of signing these financial statements and a waiver extension has not been confirmed by the lender. The impact on the company's operations if the waiver extension is not obtained is uncertain. These conditions, along with the other matters explained in note 1.4 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF LONDON & REGIONAL (HC PROPERTIES) LIMITED

Reporting on other information (continued)

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.

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 year ended 31 December 2019 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. 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 (HC PROPERTIES) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF LONDON & REGIONAL (HC PROPERTIES) 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
30 September 2020

LONDON & REGIONAL (HC PROPERTIES) 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	20,805,353	25,244,636
Administrative expenses		(669,436)	(35,292,498)
Other operating income		-	16
Fair value gains on investment properties	9	10,393,005	6,968,995
Operating profit/(loss)	4	30,528,922	(3,078,851)
Interest receivable and similar income	6	4,433	34,503,238
Interest payable and similar expenses	7	(7,944,173)	(15,590,220)
Profit on ordinary activities before taxation		22,589,182	15,834,167
Tax on profit on ordinary activities	8	(3,382,740)	(749,932)
Profit for the financial year/period		19,206,442	15,084,235
Other comprehensive (expense)/income			
Cash flow hedges - change in value of hedging instruments		(2,032,876)	2,482,243
Tax relating to other comprehensive (expense)/income		386,246	(471,626)
Total comprehensive income for the year/period		17,559,812	17,094,852

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

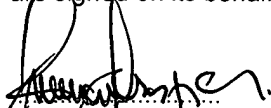
LONDON & REGIONAL (HC PROPERTIES) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Investment properties	9	318,993,000	308,599,995
Current assets			
Debtors	10	7	7
Cash at bank and in hand		5,576,496	6,027,043
		5,576,503	6,027,050
Creditors: amounts falling due within one year	11	(6,859,114)	(17,558,511)
Net current liabilities		(1,282,611)	(11,531,461)
Total assets less current liabilities		317,710,389	297,068,534
Creditors: amounts falling due after more than one year	12	(167,974,587)	(165,610,298)
Provisions for liabilities	14	(13,523,505)	(12,805,751)
Net assets		136,212,297	118,652,485
Capital and reserves			
Called up share capital	16	1	1
Hedging reserve		(2,436,376)	(789,746)
Retained earnings		138,648,672	119,442,230
Total equity		136,212,297	118,652,485

The financial statements were approved by the board of directors and authorised for issue on 30/9/2020 and are signed on its behalf by:


Mr L Sebastian
Director

Company Registration No. 05788421

LONDON & REGIONAL (HC PROPERTIES) 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	(2,800,363)	104,357,995	101,557,633
Profit for the financial period	-	-	15,084,235	15,084,235
<i>Other comprehensive income/(expense):</i>				
- Cash flow hedges - change in value of hedging instruments	-	2,482,243	-	2,482,243
- Tax relating to other comprehensive income	-	(471,626)	-	(471,626)
Total comprehensive income for the period	-	2,010,617	15,084,235	17,094,852
Balance at 31 December 2018	1	(789,746)	119,442,230	118,652,485
Profit for the financial year	-	-	19,206,442	19,206,442
<i>Other comprehensive (expense)/income:</i>				
- Cash flow hedges - change in value of hedging instruments	-	(2,032,876)	-	(2,032,876)
- Tax relating to other comprehensive expense	-	386,246	-	386,246
Total comprehensive (expense)/income for the year	-	(1,646,630)	19,206,442	17,559,812
Balance at 31 December 2019	1	(2,436,376)	138,648,672	136,212,297

Included within retained earnings is £21,839,095 (2018: £12,550,090) relating to gains from investment property revaluations and associated deferred tax which is non-distributable.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

General information

London & Regional (HC Properties) 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 company acts as a property investment company.

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 investment properties and 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 £.

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; 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.
- from the requirement to disclose transactions or balances with entities which form part of the group as required under section 33.1A of FRS 102.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.4 Going concern

Subsequent to the year end, the company has been in default of one of the loan financial covenants as a result of the impact of Covid-19 on the trading activities of the business and the directors have obtained a waiver from the lender in respect of such default. This waiver however does not cover a full period of 12 months from the date of signing these financial statements. Whilst the directors have reasonable expectations, based on discussions with the lender, that the waiver will be extended, as at the date of signing these financial statements there is some uncertainty as to whether the waiver will be extended and what the impact on the company's operations and the position in respect of the continued provision of external funding to the business will be if the waiver is not extended.

These circumstances indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include any adjustments that might arise should the company cease to be a going concern.

The company was in a net current liabilities position as at 31 December 2019, this position is due to the amounts payable to group undertakings. The directors have received confirmation from London and Regional Properties Limited, to who £1.9m was owed at the balance sheet date, that it will not call for repayment of this amount for at least twelve months from the date of signing these financial statements.

The directors have received confirmation from the immediate parent company, London and Regional Group Property Holdings Ltd, that it intends to provide the necessary financial support for at least twelve months from the date of signing these financial statements. However, it has to be in extremis, that this support may not be forthcoming and therefore there remains a material uncertainty on going concern.

The directors continue to adopt the going concern basis of preparing the financial statements.

1.5 Turnover

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

1.6 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 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.

1.7 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 (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.8 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 (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

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.

1.9 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 in this item.

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.

1.10 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.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

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.

1.11 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.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

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.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Critical accounting judgements and estimation uncertainty

Valuation of investment properties

Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but 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.

Impairment of investments

The company assesses the carrying value of investments at the end of each reporting period. Where an indication of impairment is identified the estimate of recoverable value requires estimation of the future cash flows from each investment and selection of appropriate discount rates in order to calculate the net present value of those cash flows.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 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.

4 Operating profit/(loss)

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Operating profit/(loss) for the year/period is stated after charging:		
Fees payable to the company's Independent Auditors for the audit of the company's financial statements	-	-
Provision for impairment in value of investments	-	34,499,995

Auditors' remuneration has been borne by fellow subsidiary London & 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: £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 2019 amounted to £624,161 (2018: £757,339), 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. The total emoluments of Mr R J Livingstone and Mr L Sebastian are included in the aggregate of directors' emoluments included in the financial statements of the ultimate parent company.

6 Interest receivable and similar income

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Interest on bank deposits	4,433	3,243
Income from shares in group undertakings	-	34,499,995
Total income	4,433	34,503,238

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Interest payable and similar expenses

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Interest on bank overdrafts and loans	7,612,760	10,293,645
Other finance costs	-	3,907,961
Amortisation of loan fees	331,413	1,382,500
Other interest payable	-	6,114
	<u>7,944,173</u>	<u>15,590,220</u>

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	2,278,740	-
Adjustments in respect of prior periods	-	(68)
Total current tax	<u>2,278,740</u>	<u>(68)</u>
Deferred tax		
Origination and reversal of timing differences	<u>1,104,000</u>	<u>750,000</u>
Total tax charge	<u>3,382,740</u>	<u>749,932</u>

Factors affecting tax charge for the year/period

The rate of corporation tax for the current year is 19.00% (2018 :19.00%).

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Tax on profit on ordinary activities

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

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Profit on ordinary activities before taxation	22,589,182	15,834,167
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	4,291,945	3,008,492
Tax effect of expenses that are not deductible in determining taxable profit	-	6,554,999
Tax effect of income not taxable in determining taxable profit	(1,974,671)	(7,879,108)
Permanent capital allowances in excess of depreciation	(38,534)	(49,207)
Adjustments in respect of prior periods	-	(68)
Origination and reversal of timing differences	1,104,000	750,000
Utilisation of tax losses	-	(1,635,176)
Tax charge for the year/period	3,382,740	749,932

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:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(386,246)	471,626

In the prior period the corporation tax charge was reduced by £1,635,176 because of losses surrendered by fellow group undertakings, for which no payment was made.

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.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Investment properties

	Freehold land and buildings	Long leasehold land and buildings	Total
	£	£	£
Fair value			
At 1 January 2019	173,600,115	134,999,880	308,599,995
Net gains through fair value adjustments	5,702,885	4,690,120	10,393,005
At 31 December 2019	179,303,000	139,690,000	318,993,000

The investment properties were 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	1	1
Amounts due from group undertakings	6	6
	7	7

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

11 Creditors: amounts falling due within one year

	2019 £	2018 £
Amounts due to fellow group undertakings	1,910,223	14,620,665
Corporation tax	2,278,740	-
Other taxation and social security	192,429	338,284
Other creditors	1,797	1,797
Accruals and deferred income	2,475,925	2,597,765
	6,859,114	17,558,511

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

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Creditors: amounts falling due after more than one year

	Note	2019 £	2018 £
Bank loans and overdrafts	13	164,966,716	164,635,303
Derivative financial instruments		3,007,871	974,995
		<u>167,974,587</u>	<u>165,610,298</u>

Bank loans are stated net of finance charges of £1,033,283 (2018: £1,364,697) to be allocated to future periods.

The company borrows at floating rates of interest and then employs derivative financial instruments in the form of an interest rate swap to hedge the company's exposure to interest rate movements. The fair value of the swap at the year end was a liability of £3.0m (2018: liability of £1.0m). 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 recognised in other comprehensive income. Cash flows on the loans are paid quarterly until maturity of the loans.

13 Bank loans and overdrafts

	2019 £	2018 £
Bank loans	<u>164,966,716</u>	<u>164,635,303</u>
Payable between two and five years	<u>164,966,716</u>	<u>164,635,303</u>

During the prior period, the company was involved in the refinancing of the original loan. The current bank loan now bears interest at a fixed rate of 4.59% per annum, with full repayment due in February 2023.

14 Provisions for liabilities

	Note	2019 £	2018 £
Deferred tax liabilities	15	<u>13,523,505</u>	<u>12,805,751</u>
		<u>13,523,505</u>	<u>12,805,751</u>

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Deferred taxation

The following is the analysis of the deferred tax balances for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Investment property	14,095,000	12,991,000
Derivatives	(571,495)	(185,249)
	<u>13,523,505</u>	<u>12,805,751</u>

Deferred tax liabilities movement in the year:

	Liabilities £
Balance at 1 January 2019	12,805,751
Charge to profit or loss	1,104,000
Credit to other comprehensive income	(386,246)
Balance at 31 December 2019	<u>13,523,505</u>

16 Called up share capital

	2019 £	2018 £
Ordinary share capital		
<i>Issued and fully paid</i>		
One (2018: One) share of £1 each	<u>1</u>	<u>1</u>

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 Ultimate controlling party

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

19 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.