

Company Registration No. 05788421 (England and Wales)

LONDON & REGIONAL (HC PROPERTIES) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018



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 PERIOD ENDED 31 DECEMBER 2018

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

During the current period the company's accounting reference date was changed from 30 September to 31 December. As a result the current results presented in these financial statements are for a fifteen month period from 1 October 2017 to 31 December 2018. This change was made to simplify the operational processes across the group.

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

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

Principal activities, review of the business and future developments

The company acts as a property investment and holding company. The company made a profit of £15.1m for the period ended 31 December 2018 (2017: £7.8m) and had net assets of £118.7m at the period end (2017: £101.6m). The directors consider the financial position and future prospects at 31 December 2018 to be satisfactory. During the period the company were involved in the refinancing of their existing debt. The loan was repaid with a new external loan being issued which matures in February 2023 and by loans from fellow group undertakings which are subordinated to the external loan.

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.

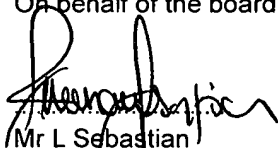
Key performance indicators

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.

Going concern

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support from London and Regional Group Property Holdings Ltd. The directors have received confirmation that London and Regional Group Property Holdings Ltd intends to provide this support to the company for at least one year after these financial statements are signed.

On behalf of the board



Mr L Sebastian

Director

30 June 2019

LONDON & REGIONAL (HC PROPERTIES) LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2018

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

Directors

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

Mr R J Livingstone

Mr R N Luck

Mr L Sebastian

(Resigned 12 April 2018)

Results and dividends

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

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

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

Qualifying third party indemnity provisions

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

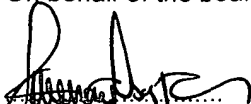
Independent Auditors

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

Statement of disclosure 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 June 2019

LONDON & REGIONAL (HC PROPERTIES) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2018

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

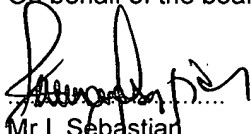
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial 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 June 2019

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 2018 and of its profit for the 15 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 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 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
TO THE MEMBERS OF LONDON & REGIONAL (HC PROPERTIES)
LIMITED (CONTINUED)**

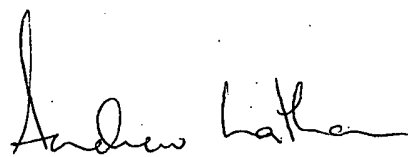
Other required reporting

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 June 2019

LONDON & REGIONAL (HC PROPERTIES) LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2018

		Period ended 31 December 2018 £	Year ended 30 September 2017 £
	Note		
Turnover	3	25,244,636	19,682,160
Administrative expenses		(35,292,498)	(663,542)
Other operating income		16	-
Fair value gains on investment properties	9	6,968,995	3,931,000
Operating (loss)/profit	4	(3,078,851)	22,949,618
Interest receivable and similar income	6	34,503,238	231
Interest payable and similar expenses	7	(15,590,220)	(13,756,018)
Profit on ordinary activities before taxation		15,834,167	9,193,831
Tax on profit on ordinary activities	8	(749,932)	(1,394,563)
Profit for the financial period/year		15,084,235	7,799,268
Other comprehensive income/(expense)			
Cash flow hedges - change in value of hedging instruments		2,482,243	3,911,153
Tax relating to other comprehensive income		(471,626)	(743,119)
Total comprehensive income for the period/year		17,094,852	10,967,302

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

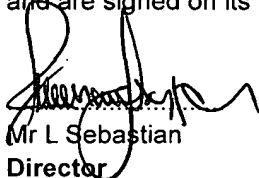
LONDON & REGIONAL (HC PROPERTIES) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018 £	£	2017 £	£
Fixed assets					
Investment properties	9	308,599,995		301,631,000	
Investments	10	-		34,500,001	
		<u>308,599,995</u>		<u>336,131,001</u>	
Current assets					
Debtors		7		-	
Cash at bank and in hand		6,027,043		4,073,821	
		<u>6,027,050</u>		<u>4,073,821</u>	
Creditors: amounts falling due within one year	11	(17,558,511)		(67,837,505)	
Net current liabilities		<u>(11,531,461)</u>		<u>(63,763,684)</u>	
Total assets less current liabilities		297,068,534		272,367,317	
Creditors: amounts falling due after more than one year	12	(165,610,298)		(159,225,559)	
Provisions for liabilities	14	(12,805,751)		(11,584,125)	
Net assets		<u>118,652,485</u>		<u>101,557,633</u>	
Capital and reserves					
Called up share capital	16	1		1	
Hedging reserve		(789,746)		(2,800,363)	
Retained earnings		119,442,230		104,357,995	
Total equity		<u>118,652,485</u>		<u>101,557,633</u>	

The financial statements were approved by the board of directors and authorised for issue on 30 June 2019 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 PERIOD ENDED 31 DECEMBER 2018

	Called up share capital	Hedging reserve	Retained earnings	Total
	£	£	£	£
Balance at 1 October 2016	1	(5,968,397)	96,558,727	90,590,331
Profit for the financial year	-	-	7,799,268	7,799,268
<i>Other comprehensive income/(expense):</i>				
- Cash flow hedges - change in value of hedging instruments	-	3,911,153	-	3,911,153
- Tax relating to other comprehensive income	-	(743,119)	-	(743,119)
Total comprehensive income for the year	-	3,168,034	7,799,268	10,967,302
Balance at 30 September 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

Included within retained earnings is £12,550,090 (2017: £8,133,090) relating to investment property revaluations and associated deferred tax which is non-distributable.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2018

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.

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 £13.3m for the period ended 31 December 2018 (2017: £7.8m) and had net assets of £116.9m at the period end (2017: £101.6m). The directors consider the financial position and future prospects at 31 December 2018 to be satisfactory. During the period the company were involved in the refinancing of their existing debt. The loan was repaid with a new external loan being issued which matures in February 2023 and by loans from fellow group undertakings which are subordinated to the external loan.

1.1 Statement of compliance

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

1.2 Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of freehold properties and 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 £.

1.3 Exemptions for qualifying entities under FRS 102

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

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

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

1.4 Exemption from consolidation

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

London & Regional (HC Properties) Limited is a wholly owned subsidiary of London & Regional (Health Clubs) Limited, a company incorporated in England and Wales. The results of London & Regional (HC Properties) Limited are included in the consolidated financial statements of London and Regional Group Properties Ltd, which are available from Quadrant House, Floor 6, 4 Thomas More Square, London, E1W 1YW.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.5 Going concern

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

1.6 Turnover

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

1.7 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.

1.8 Investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 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.

1.10 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.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

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.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

1.11 Hedge accounting

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Early repayment/cancellation options are held to manage the interest rate exposures and are designated as cash flow hedges of fixed 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.

1.12 Equity instruments

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

1.13 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Deferred tax

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

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

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

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.

3 Turnover

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

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

4 Operating (loss)/profit

	Period ended 31 December 2018 £	Year ended 30 September 2017 £
Operating (loss)/profit for the period/year 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 London & Regional Properties Limited.

5 Directors' remuneration

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

The above details of directors' emoluments do not include the emoluments which are paid by a fellow subsidiary, London and Regional Properties Limited, and recharged to the company as part of a management charge. This management charge, which in 2018 amounted to £757,339 (2017: £590,465), 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

	Period ended 31 December 2018 £	Year ended 31 December 2017 £
Interest on bank deposits	3,243	231
Income from shares in group undertakings	34,499,995	-
Total income	34,503,238	231

7 Interest payable and similar expenses

	Period ended 31 December 2018 £	Year ended 30 September 2017 £
Interest on bank overdrafts and loans	10,293,645	13,121,539
Other finance costs	3,907,961	-
Amortisation of loan fees	1,382,500	627,599
Other interest payable	6,114	6,880
	15,590,220	13,756,018

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

8 Tax on profit on ordinary activities

	Period ended 31 December 2018 £	Year ended 30 September 2017 £
Current tax		
UK corporation tax on profits for the current year	-	964,665
Adjustments in respect of previous periods	(68)	898
Total current tax	(68)	965,563
Deferred tax		
Origination and reversal of timing differences	750,000	429,000
Total tax charge	749,932	1,394,563

Factors affecting tax charge for the prior period/year

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

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

	Period ended 31 December 2018 £	Year ended 30 September 2017 £
Profit on ordinary activities before taxation	15,834,167	9,193,831
Expected tax charge based on the standard/blended rate of corporation tax in the UK of 19% (2017: 19.5%)	3,008,492	1,792,797
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	(7,879,108)	(766,545)
Permanent capital allowances in excess of depreciation	(49,207)	(61,587)
Adjustments in respect of previous periods	(68)	898
Origination and reversal of timing differences	750,000	429,000
Utilisation of tax losses	(1,635,176)	-
Tax charge for the period/year	749,932	1,394,563

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

8 Tax on profit on ordinary activities

(Continued)

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

	Period ended 31 December 2018 £	Year ended 30 September 2017 £
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	471,626	743,119

Factors that may affect future tax charges

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

9 Investment properties

	Freehold land and buildings £	Long leasehold land and buildings £	Total £
Fair value			
At 1 October 2017	168,911,000	132,720,000	301,631,000
Net gains or losses through fair value adjustments	4,689,115	2,279,880	6,968,995
At 31 December 2018	173,600,115	134,999,880	308,599,995

The investment property was valued by the directors after taking advice from a professional valuer on an open market value basis at 31 December 2018. The valuation has been made in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom.

Freehold	-	-
Long leasehold	-	-
Short leasehold	-	-

10 Investments

	2018 £	2017 £
Investments in subsidiaries	-	34,500,001

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

(Continued)

Movement in investments

	Shares in group undertakings £
Cost or valuation	
At 1 October 2017	34,500,001
Provision for impairment in value of investments	(34,499,995)
Disposals	(6)
	<hr/>
At 31 December 2018	-
	<hr/> <hr/>

The company held 100% of the share capital of Yorkmeadow Limited, a company incorporated in England and Wales, with registered address at Quadrant House, 4 Thomas More Square, London E1W 1YW. This company was sold to a fellow group undertaking, London & Regional Dormant Holdings, during the period.

11 Creditors: amounts falling due within one year

	Note	2018 £	2017 £
Bank loans and overdrafts	13	-	5,372,613
Amounts due to fellow group undertakings		14,620,665	57,718,776
Corporation tax		-	964,665
Other taxation and social security		338,284	330,048
Other creditors		1,797	-
Accruals and deferred income		2,597,765	3,451,403
		<hr/>	<hr/>
		17,558,511	67,837,505
		<hr/> <hr/>	<hr/> <hr/>

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 PERIOD ENDED 31 DECEMBER 2018

12 Creditors: amounts falling due after more than one year

	Note	2018 £	2017 £
Bank loans and overdrafts	13	164,635,303	155,768,321
Derivative financial instruments		974,995	3,457,238
		<u>165,610,298</u>	<u>159,225,559</u>

Bank loans are stated net of finance charges of £1,364,697 (2017: £1,090,130) to be allocated to future periods.

The company borrows at fixed rates of interest and then employs derivative financial instruments in the form of an early repayment/cancellation option under the terms of its loan agreement to hedge the company's exposure to interest rate movements. The fair value of the option at the year end was £1m (2017: £3.5m). 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

	2018 £	2017 £
Bank loans	<u>164,635,303</u>	<u>161,140,934</u>
Payable within one year	-	5,372,613
Payable between one and two years	-	155,768,321
Payable between two and five years	<u>164,635,303</u>	<u>-</u>

During the period, the company was involved in the refinancing of its 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	2018 £	2017 £
Deferred tax liabilities	15	<u>12,805,751</u>	<u>11,584,125</u>
		<u>12,805,751</u>	<u>11,584,125</u>

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

15 Deferred taxation

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

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Investment property	12,991,000	12,241,000
Derivatives	(185,249)	(656,875)
	<u>12,805,751</u>	<u>11,584,125</u>

Movements in the period:	Liabilities £
Balance at 1 October 2017	11,584,125
Charge to profit or loss	750,000
Charge to other comprehensive income	471,626
	<u>12,805,751</u>
Balance 31 December 2018	<u>12,805,751</u>

16 Called up share capital

	2018 £	2017 £
Ordinary share capital		
<i>Issued and fully paid</i>		
1 (2017: 1) share of £1 each	<u>1</u>	<u>1</u>

LONDON & REGIONAL (HC PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

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 & 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 2018. London and Regional Group Properties Ltd is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of London and Regional Group Property Holdings Ltd and London and Regional Group Properties Ltd can be obtained from the company secretary at Quadrant House, Floor 6, 4 Thomas More Square, London E1W 1YW.

The ultimate controlling parties are I M Livingstone and R J Livingstone through their joint ownership of London and Regional Group Properties Ltd.