

Company Registration No. 08422737

Walworth Investment Properties Limited

Annual Report and Financial Statements

for the year ended 31 December 2019



Walworth Investment Properties Limited

Annual Report and Financial Statements 2019

Contents	Page
Officers and professional advisers	1
Directors' report	2
Independent auditor's report	4
Profit and loss account	7
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

Walworth Investment Properties Limited

Officers and professional advisers

Directors

A M Barber
A R Giblin
J P Kennedy
A J Leibowitz
D J Salvesen

Company Secretary

Hanover Management Services Limited

Registered Office

16 Hans Road
London
England
SW3 1RT

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Walworth Investment Properties Limited

Directors' report

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

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Business review and principal activities

The company's principal activity is property investment. There have not been any significant changes in the company's principal activities during the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The company's main financial objective is to create shareholder value. The cyclical nature of the property markets raises the risk of variations in the value of our portfolio and there is the risk of valuation corrections in future years.

The results for the year are shown in the profit and loss account on page 7. The retained profit for the year is £1,978,898 (15 months period ended 31 December 2018: £1,042,381). The position at the year end is shown on page 8 of the financial statements.

On the 1 May 2018, Dorrington Investment PLC acquired the remaining 50% of shares in Walworth Investments Properties Limited, from its joint venture partner, Grainger PLC. As a result, the comparative accounting period was extended from September to December year end to be in line with the rest of the Group reporting. The financial statements present the figures for a 12 months period to 31 December 2019 and comparative figures for a period of 15 months ending 31 December 2018.

Going concern

The directors have assessed the impact of the current uncertainty around COVID-19 on all aspects of the business, focussing specifically on operations and cash flows of the company. The company benefits from banking and treasury facilities with the group and has received a letter of support from the group and hence the assessment of the ability of the entity to continue as a going concern has been performed at a group level (including stress-testing of forecasts). This stress-testing included assessing the levels of cash and available finance within the group assuming a very significant reduction in turnover on the basis of reduced sales of trading stock, customer default or payment plans, reduced lettings and increased vacations at break and expiry. This has been offset by a review and postponement of uncommitted capital expenditure where necessary.

Based on reviewing these forecasts and sensitivities and having considered the support of the group the directors have concluded that the company is a going concern and accordingly have prepared the financial statements on this basis. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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

Walworth Investment Properties Limited

Directors' report (continued)

Directors' responsibilities statement (continued)

enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dividends

An interim dividend of £2,000,000 (4.7p per ordinary shares) was paid during the year (15 months period ended 31 December 2018: £1,500,000, 3.5p per ordinary shares))

Directors

The present directors are shown on page 1. All the current directors served throughout the period and subsequently.

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

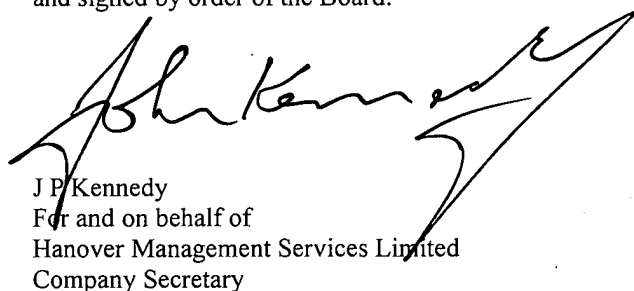
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board:



J P Kennedy
For and on behalf of
Hanover Management Services Limited
Company Secretary

26 June 2020

Walworth Investment Properties Limited

Independent auditor's report to the members of Walworth Investment Properties Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Walworth Investment Properties Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Walworth Investment Properties Limited

Independent auditor's report to the members of Walworth Investment Properties Limited (continued)

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Walworth Investment Properties Limited

Independent auditor's report to the members of Walworth Investment Properties Limited (continued)

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sara Tubridy FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

26 June 2020

Walworth Investment Properties Limited

Profit and loss account

For the year ended 31 December 2019

		2019	15 months period ended 31 December 2018
	Notes	£	£
Turnover	1, 3	7,784,353	8,935,118
Direct property expenses		(2,874,704)	(3,256,690)
Gross profit		4,909,649	5,678,428
Administrative expenses		(420,252)	(329,420)
		4,489,397	5,349,008
Unrealised gains/(losses) on revaluation of investment properties	6	2,009,824	(3,684,114)
(Loss)/profit on disposal of investment properties	5	(6,245)	48,553
Operating profit	6	6,492,976	1,713,447
Finance costs (net)	7	(2,240,978)	(2,904,093)
Profit/(loss) before taxation		4,251,998	(1,190,646)
Tax on profit/(loss)	8	(2,273,100)	2,233,027
Profit for the financial period		1,978,898	1,042,381

All activities derive from continuing operations in both the current and preceding years.

Statement of comprehensive income

For the year ended 31 December 2019

		2019	15 months period ended 31 December 2018
		£	£
Profit for the financial period		1,978,898	1,042,381
Mark to market (loss)/gain arising during the period of cash flow hedges	16	(235,051)	231,607
Tax relating to components of other comprehensive income	14	39,958	(39,373)
Total comprehensive income for the financial period		1,783,805	1,234,615

Walworth Investment Properties Limited

Balance sheet

As at 31 December 2019

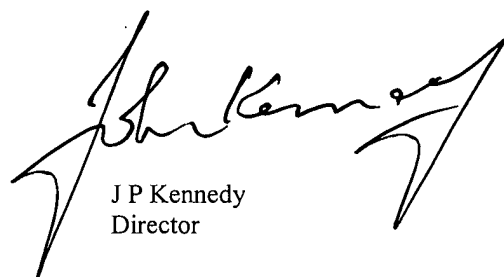
	Notes	2019 £	£	2018 £	£
Fixed assets					
Investment properties	10	209,532,000		204,432,000	
Current assets					
Debtors due within one year	11	120,115		489,111	
Debtors due after one year	11	-		5,511,984	
Cash at bank and in hand		807,885		769,665	
		<u>928,000</u>		<u>6,770,760</u>	
Creditors: amounts falling due within one year	12	<u>(249,650)</u>		<u>(746,425)</u>	
Net current assets			678,350		6,024,335
Total assets less current liabilities			210,210,350		210,456,335
Creditors: amounts falling due after one year	13		(77,925,782)		(79,761,514)
Provisions for liabilities	14		<u>(14,296,643)</u>		<u>(12,490,701)</u>
Net assets			<u>117,987,925</u>		<u>118,204,120</u>
Capital and reserves					
Called up share capital	15	42,833,000		42,833,000	
Hedging reserve	15	-		195,093	
Profit and loss account		75,154,925		75,176,027	
Total Shareholders' funds			<u>117,987,925</u>		<u>118,204,120</u>

The financial statements of Walworth Investment Properties Limited, Company Registration No.08422737 were approved and authorised for issue by the Board of Directors on 26 June 2020.

Signed on behalf of the Board of Directors:



A J Leibowitz
Director



J P Kennedy
Director

Walworth Investment Properties Limited

Statement of changes in equity For the year ended 31 December 2019

	Note	Called up share capital £	Hedging reserve	Profit and loss account £	Total £
At 1 October 2017		42,833,000	2,859	75,633,646	118,469,505
Profit for the financial period		-	-	1,042,381	1,042,381
Gain on fair value of cash flow hedges	16	-	231,607	-	231,607
Tax relating to items of other comprehensive income	14	-	(39,373)	-	(39,373)
Total comprehensive income		-	192,234	1,042,381	1,234,615
Dividend paid	9	-	-	(1,500,000)	(1,500,000)
At 31 December 2018		42,833,000	195,093	75,176,027	118,204,120
Profit for the financial year		-	-	1,978,898	1,978,898
Cash flow hedges transferred to group company	16	-	(235,051)	-	(235,051)
Tax relating to items of other comprehensive income transferred to group company	14	-	39,958	-	39,958
Total comprehensive income		-	(195,093)	1,978,898	1,783,805
Dividend paid	9	-	-	(2,000,000)	(2,000,000)
At 31 December 2019		42,833,000	-	75,154,925	117,987,925

Included in profit and loss account is £73,101,870 (2018: £72,942,000) of profits which is not available for distribution as they are unrealised.

Walworth Investment Properties Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding period.

Statutory information

Walworth Investment Properties Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1.

Accounting convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling.

The company is exempt from preparing consolidated financial statements under the Companies Act 2006 because it is a wholly owned subsidiary of an EC parent, as disclosed in note 17 of the financial statements. These financial statements present information as an individual undertaking and not as a group. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, related party transactions and remuneration of key management personnel

Going concern

After making enquiries, the directors believe that the company has adequate resources to continue in operational existence for at least twelve months from the approval date of these financial statements. The company participates in the group's centralised treasury function and so shares banking arrangements with its parent and fellow subsidiaries.

The directors have received confirmation that Dorrington Investment PLC, the company's immediate holding company, will continue to provide the necessary level of support to enable it to continue to operate for at least twelve months from the approval date of these financial statements. As referenced in the directors' report the directors have assessed the impact of the current uncertainty around COVID-19 on all aspects of the business, focussing specifically on the operations and cash flows of the company and group. In considering the ability of Dorrington Investment PLC to provide any necessary support in the context of the uncertainties all property companies face as a result of the current economic climate, the directors have obtained an understanding of the Dorrington Investment PLC forecasts, the continuing availability of its facilities and its strategic and contingent plans. The directors have stress-tested these forecasts assuming a significant reduction in turnover, offset by identified and actioned operational and capital expenditure savings. The availability of on-going finance has also been considered, modelling the impact on covenants of reduced income and decreases in property valuations. Even considering reasonably likely downside scenarios there are no covenant breaches forecast.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover excludes value added tax (where applicable) and represents sales of trading properties and rents receivable.

Sales are invoiced when the goods are delivered or services have been performed. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Walworth Investment Properties Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable

Investment properties

Investment properties are measured at fair value annually with any change recognised in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss account.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. 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.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans are measured at cost (which may be £nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Walworth Investment Properties Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

Financial instruments (continued)

(ii) Derivative financial instruments (continued)

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

(iii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique

Financial instruments

(iv) Hedge accounting

The company designates certain derivatives as hedging instruments in cash flow hedges. At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the company determines and documents causes for hedge ineffectiveness.

Note 16 sets out details of the fair values of the derivative instruments used for hedging purposes.

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. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property and investment property, measured using the revaluation model is measured using the tax rates and allowances that apply to sale of the asset.

Walworth Investment Properties Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Taxation (continued)

Where items recognised in other comprehensive income or statement of changes in equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 accounting period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates

Property portfolio valuation

Freehold and long leasehold land and buildings are revalued at fair value by the directors of the company who are members of the Royal Institution of Chartered Surveyors, as at each balance sheet date.

Judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Distinction between investment and trading property

On acquiring a property asset, the company considers the intention at the outset in order to classify the property as either an investment or as trading stock. Where the intention is to hold the property for its long-term rental yield and capital appreciation, the property is held as an investment property. Where the intention is to trade the property in the ordinary course of business, the property is held as trading stock.

3. Turnover

The analysis of turnover (all derived within the United Kingdom) is as follows:

	31 December 2019 £	15 months period ended 31 December 2018 £
Rent receivable	7,784,353	8,935,118

Walworth Investment Properties Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Information regarding directors and employees

None of the directors received any emoluments for their services to the company during the year (15 months period ended 31 December 2018: £nil). There were no other employees (15 months period ended 31 December 2018: none).

5 Profit on disposal of investment properties

	31 December 2019	15 months period ended 31 December 2018
	£	£
(Loss)/profit on disposal of investment properties	(6,245)	48,553

6. Operating profit

	31 December 2019	15 months period ended 31 December 2018
	£	£
Operating profit is after charging:		
Auditor's remuneration: fees paid to the company's auditor for the audit of the company's annual financial statements	14,000	5,000
Unrealised gains/(losses) on fair value movement of investment properties	2,009,824	(3,684,114)

There are no non audit fees included within the stated operating profit figure for the year (15 months period ended 31 December 2018: £nil)

Walworth Investment Properties Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

7. Finance costs (net)

	31 December 2019 £	15 months period ended 31 December 2018 £
Interest payable and similar expenses	2,347,029	2,980,650
Less: investment income	(106,051)	(76,557)
	<u>2,240,978</u>	<u>2,904,093</u>
Investment income		
	31 December 2019 £	15 months period ended 31 December 2018 £
Bank interest	137	5,299
Other interest	1	226
Loans to Group undertakings	105,913	71,032
	<u>106,051</u>	<u>76,557</u>
Interest payable and similar expenses		
	31 December 2019 £	15 months period ended 31 December 2018 £
Interest on bank loans and overdrafts	2,347,029	2,980,650
	<u>2,347,029</u>	<u>2,980,650</u>

Walworth Investment Properties Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

8. Tax on profit/(loss)

	31 December 2019 £	15 months period ended 31 December 2018 £
Current tax		
United Kingdom corporation tax at 19% (2018: 19%)	427,200	538,013
	<u>427,200</u>	<u>538,013</u>
Deferred tax		
Effect of movement in value of investment properties (note 14)	1,845,900	(2,771,040)
	<u>1,845,900</u>	<u>(2,771,040)</u>
Total tax on profit/(loss)	<u>2,273,100</u>	<u>(2,233,027)</u>

The effective rate of corporation tax for the year varies from the standard rate in the UK as applied to the company's pre-tax results for the reasons analysed below:

	31 December 2019 £	15 months period ended 31 December 2018 £
Profit/(loss) before tax	4,251,998	(1,190,646)
Profit/(loss) multiplied by standard rate of corporation tax in the UK	807,880	(226,223)
Effects of:		
Impact of allowances on the net revaluation of investment properties	(760)	(2,056,606)
Indexation and other sale adjustments	-	(23,591)
Chargeable gains in excess of profit on sale of fixed assets	-	73,393
Restricted losses in period	1,187	-
Impact on tax rate change on opening liability	1,464,793	-
Total tax for the year	<u>2,273,100</u>	<u>(2,233,027)</u>

The standard rate of tax applied to reported profit is 19 per cent (2018 loss: 19 per cent). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015. At Budget 2020, the government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. As a result, the deferred tax balances are now calculated at the 19% rate. Refer to note 14 for an analysis of the deferred tax balance.

There is no expiry date on timing differences, unused tax losses or tax credits.

Walworth Investment Properties Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

9. Dividend paid

	31 December 2019 £	15 months period ended 31 December 2018 £
Interim dividend on equity shares at 4.7p per share (2018: 3.5p per share)	<u>2,000,000</u>	<u>1,500,000</u>

10. Investment properties

	Freehold land and buildings £
At valuation	
At 1 January 2019	204,432,000
Additions	3,098,176
Disposals	(8,000)
Surplus on revaluation	<u>2,009,824</u>
At 31 December 2019	<u>209,532,000</u>

Freehold and long leasehold land and buildings were revalued to fair value by those directors of the company who are members of the Royal Institution of Chartered Surveyors as at 31 December 2019 £209,532,000 (31 December 2018: £204,432,000). The Group's in-house team provided a vacant possession value, against which a discount is applied to establish the fair value.

The key assumptions are typically market related, such as yields and discount rates, and are based on their professional judgement and market observation. No contingent rents have been recognised as income in the current or prior year. The net proceeds on disposal of investment properties in the year were £4,000 (15 months period to 31 December 2018: £511,652).

The net revaluation surplus of £2,009,824 (31 December 2018: deficit £3,684,114) has been recognised in the profit and loss account and is classified as unrealised and non-distributable. The carrying value under the historical cost convention of the land and buildings was £122,133,487 (31 December 2018: £119,039,310).

Land and buildings with a carrying amount of £147,623,000 (31 December 2018: £204,432,000) have been pledged to secure borrowings of another group company.

At the balance sheet date, the company had contracted with tenants for the following minimum lease payments:

	31 December 2019 £	31 December 2018 £
Within one year	7,401,568	7,015,312
In the second to fifth years inclusive	5,867,712	4,620,972
After five years	<u>1,222,440</u>	<u>962,702</u>

The company has entered into non –cancellable contractual commitments in respect of investment properties of £14,491,720 (2018: £12,598,986). The company is additionally contractually obliged to carry out annual repairs and maintenance in respect of investment property, which in the current year amounted to £2,442,517 (2018: £2,315,053).

Walworth Investment Properties Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

11. Debtors

	31 December 2019 £	15 months period ended 31 December 2018 £
Amounts falling due within one year:		
Trade debtors	60,300	54,052
Other debtors	-	384,293
Prepayments and accrued income	59,815	50,766
	<u>120,115</u>	<u>489,111</u>
Amounts falling due after one year:		
Amount owed by parent undertakings	-	5,276,934
Derivative financial assets	-	235,050
	<u>-</u>	<u>5,511,984</u>

The loan owed by parent undertakings are repayable after more than one year with no fixed repayment date and interest is levied at commercial rates of 2.75 per cent (2018: average rate of 2.60 per cent).

12. Creditors: amounts falling due within one year

	31 December 2019 £	15 months period ended 31 December 2018 £
Accruals and deferred income	218,282	669,970
Other creditors	31,368	76,455
	<u>249,650</u>	<u>746,425</u>

13. Creditors: amounts falling due after one year

	31 December 2019 £	15 months period ended 31 December 2018 £
Bank loans	-	79,761,514
Amount owed to parent undertakings	77,925,782	-
	<u>77,925,782</u>	<u>79,761,514</u>

The bank loans were repaid on the 23 December 2019.

The loan owed to the parent undertakings are repayable after more than one year with no fixed repayment date and interest is levied at commercial rates of 2.75 per cent.

Walworth Investment Properties Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

14. Provisions for liabilities

	31 December 2019 £	15 months period ended 31 December 2018 £
Deferred taxation		
Opening balance	12,490,701	15,222,368
Charge/(credit) to profit and loss account (note 8)	1,845,900	(2,771,040)
(Credit)/charge to statement of other comprehensive income	(39,958)	39,373
Closing balance	<u>14,296,643</u>	<u>12,490,701</u>
Provision for the company's potential deferred tax liability comprises:		
Deferred tax arising on the revaluation of investment properties	14,296,643	12,450,743
Deferred tax arising on fair value of derivatives	-	39,958
Balance end of period	<u>14,296,643</u>	<u>12,490,701</u>

15. Called up share capital and reserves

		31 December 2019 £	15 months period ended 31 December 2018 £
Authorised, allotted, called up and fully paid:	No.		
Ordinary 'A' shares of £1 each	21,416,500	21,416,500	21,416,500
Ordinary 'B' shares of £1 each	21,416,500	21,416,500	21,416,500
		<u>42,833,000</u>	<u>42,833,000</u>

In the prior year the hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments in firm commitments or highly probable forecast transactions. Amounts accumulated in this reserve are reclassified to profit and loss account in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

The profit and loss reserve represents cumulative profits, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

16. Derivative financial instruments

	31 December 2019 £	31 December 2018 £
Company		
Derivatives that are designated and effective as hedging instruments carried at fair value		
Assets		
Interest rate swaps	-	235,051

Walworth Investment Properties Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Derivative financial instruments (continued)

Company Interest rate swap contracts

The following table details the notional principle amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal value		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	%	%	£'000	£'000	£'000	£'000
2 to 5 years	-	1.0025	-	60,000	-	235,051

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR. The group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the group's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

A profit of £nil (15 month period ended 31 December 2018: profit of £231,607) was recognised in the other comprehensive income statement.

During the financial year the interest rate swap was transferred to a group company. The transfer of £235,051 (15 month period ended 31 December 2018:£nil) was recognised in the other comprehensive income statement.

17. Ultimate parent undertaking

The company's ultimate parent undertaking and controlling party is Quadriga International Limited, which is incorporated in the British Virgin Islands.

The company is a subsidiary of its immediate parent, Dorrington Investment PLC, and its intermediate parent undertakings, Dorrington PLC, Tamoa Limited and Hanover Acceptances Limited, all companies being incorporated in Great Britain and registered in England and Wales. Hanover Acceptances Limited is the parent company of the largest group for which consolidated financial statements are prepared and Dorrington PLC is the smallest group for which consolidated financial statements are prepared.

Copies of the financial statements of Dorrington PLC and Hanover Acceptances Limited are available from its registered address via the Company Secretary, 16 Hans Road, London SW3 1RT.

18. Related party transactions

The company has taken advantage of the exemption from the disclosure of related party transactions with entities that are part of the group in accordance with Paragraph 33.1A of Financial Reporting Standard No. 102

19. Cash flow statement

The company is a wholly owned subsidiary of Hanover Acceptances Limited and the cash flows of the company are included in the consolidated cash flow statement of Hanover Acceptances Limited. Consequently, the company is exempt under Financial Reporting Standard No. 102 from the requirement to prepare a cash flow statement.

Walworth Investment Properties Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

20. Post balance sheet events

In the first quarter of 2020, the spread of the disease Covid-19 which originated in China in December 2019, had greatly impacted the global community and economy and will continue to do so for the foreseeable future. The full social, economic and political effects of this pandemic and its legacy are unknown at this stage. In particular the financial effect on Walworth Investment Properties Limited cannot be reliably measured and there is no concrete evidence that asset values have materially changed since the Balance Sheet date. The going concern assumptions has been considered in note 1. The event is considered to be a non-adjusting event.