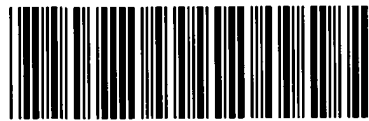


Company Registration No. 08821214 (England and Wales)

**LR (DURHAM) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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# LR (DURHAM) LIMITED

## COMPANY INFORMATION

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<b>Director</b>	Mr R N Luck
<b>Secretary</b>	Mr R N Luck
<b>Company number</b>	08821214
<b>Registered office</b>	Quadrant House, Floor 6 4 Thomas More Square London E1W 1YW
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

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# **LR (DURHAM) LIMITED**

## **CONTENTS**

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	<b>Page</b>
Strategic report	1
Director's report	2
Director's responsibilities statement	3
Independent auditors' report	4 - 6
Statement of total comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 20

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# **LR (DURHAM) LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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The director presents the strategic report for the year ended 30 September 2017.

#### **Principal activities, fair review of the business and future developments**

The company acts as a commercial property investment company. It made a loss of £6.3m for the year ended 30 September 2017 (2016: profit of £4.5m) and had net liabilities of £165k for the year end (2016: net assets of £5.7m).

On 30 June 2017 the company sold its sole investment property for £22.5 million and repaid its bank loan and amounts due to group undertakings. The balance of the net sale proceeds were lent to a group undertaking, of which subsequently the company waived £7.0 million of the loan.

The director considers the financial position and future prospects at 30 September 2017 to be satisfactory.

#### **Principal risks and uncertainties**

The key business risks and uncertainties affecting the company are considered to relate to the fact that the company operates within a highly competitive market place. The directors of the group have reviewed the group's exposure to credit risk, liquidity risk and cashflow risk. These risks and uncertainties are discussed in the company's ultimate parent's group annual report which does not form part of this report.

#### **Financial risk management**

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the board of directors. Further discussion of the financial risk management objectives and policies, in the context of the group as a whole, are discussed in the company's ultimate parent's group annual report which does not form part of this report. The Group does not use derivative financial instruments for speculative purposes.

#### **Key performance indicators**

LR (Durham) Limited is managed by the director in accordance with the strategies of its ultimate parent company, Loopsign Limited. For this reason, the director believes that further 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 director believes that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of London & Regional Group Investments Limited. The director has received confirmation that London & Regional Group Investments Limited intends to support the company for at least one year after these financial statements are signed.

By order of the board



Mr R N Luck

Secretary

24.3.18

# **LR (DURHAM) LIMITED**

## **DIRECTOR'S REPORT**

### **FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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The director presents his annual report and audited financial statements for the year ended 30 September 2017.

#### **Director**

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

Mr R N Luck

#### **Results and dividends**

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

The director does not recommend the payment of a dividend (2016: none).

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

#### **Qualifying third party indemnity provisions**

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

#### **Independent Auditors**

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

#### **Statement of disclosure 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 director has taken all the necessary steps that he ought to have taken as director in order to make himself aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



Mr R N Luck

Secretary

29.3.18

# **LR (DURHAM) LIMITED**

## **DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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

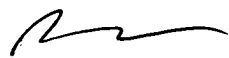
Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006.

The director is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



.....  
Mr R N Luck

Secretary

29.3.18  
.....

# **LR (DURHAM) LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LR (DURHAM) LIMITED**

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, LR (Durham) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 September 2017, the statement of total comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### **Independence**

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

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

#### **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 director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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.

# **LR (DURHAM) LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF LR (DURHAM) LIMITED**

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### **Reporting on other information (continued)**

With respect to the Strategic Report and Director's 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 Director's Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's Report for the year ended 30 September 2017 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 Director's Report.

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the director for the financial statements***

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is 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 director is also responsible for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is 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 director either intends to liquidate the company or to cease operations, or has 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](http://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.



# LR (DURHAM) LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF LR (DURHAM) LIMITED

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### 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 director's 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.



Lee Wilkinson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

29 March 2018

# LR (DURHAM) LIMITED

## STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
<b>Turnover</b>	<b>3</b>	898,193	1,185,051
Distribution costs		(26,944)	-
Administrative expenses		(226,995)	(38,433)
Fair value gains on investment properties		-	4,500,000
Gain on disposal of investment property		62,994	-
<b>Operating profit</b>	<b>4</b>	<b>707,248</b>	<b>5,646,618</b>
Interest receivable and similar income	<b>6</b>	17	6
Interest payable and similar expenses	<b>7</b>	(696,725)	(452,602)
Loan waivers granted		(7,000,000)	-
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(6,989,460)</b>	<b>5,194,022</b>
Tax on (loss)/profit on ordinary activities	<b>8</b>	722,000	(722,000)
<b>(Loss)/profit for the financial year</b>		<b>(6,267,460)</b>	<b>4,472,022</b>
<b>Other comprehensive (expense)/income</b>			
Cash flow hedges - change in value of hedging instruments		-	(478,022)
Tax relating to other comprehensive expense		-	90,824
<b>Total comprehensive (expense)/ income for the year</b>		<b>(6,267,460)</b>	<b>4,084,824</b>

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

# LR (DURHAM) LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 2017

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Investment properties	9		-	22,400,000	
<b>Current assets</b>					
Debtors	10	86,659		90,825	
Cash at bank and in hand		22		6	
		86,681		90,831	
<b>Creditors: amounts falling due within one year</b>	11	(251,944)		(5,017,104)	
<b>Net current liabilities</b>			(165,263)		(4,926,273)
<b>Total assets less current liabilities</b>			(165,263)		17,473,727
<b>Creditors: amounts falling due after more than one year</b>	12		-		(11,036,728)
<b>Provisions for liabilities</b>	14		-		(722,000)
<b>Net (liabilities)/assets</b>			(165,263)		5,714,999
<b>Capital and reserves</b>					
Called up share capital	16		1		1
Hedging reserve			-		(387,198)
Retained (deficit)/earnings			(165,264)		6,102,196
<b>Total equity</b>			(165,263)		5,714,999

The financial statements were approved and signed by the director and authorised for issue on 29/3/18



Mr R N Luck  
Director

Company Registration No. 08821214

# LR (DURHAM) LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Called up share capital £	Hedging reserve £	Retained (deficit)/ earnings £	Total £
<b>Balance at 1 October 2015</b>	1	-	1,630,174	1,630,175
Profit for the financial year	-	-	4,472,022	4,472,022
Other comprehensive expense				
- Movements in cash flow hedges	-	(478,022)	-	(478,022)
- Tax relating to other comprehensive expense	-	90,824	-	90,824
Total comprehensive income for the year	-	(387,198)	4,472,022	4,084,824
<b>Balance at 30 September 2016</b>	1	(387,198)	6,102,196	5,714,999
Loss for the financial year and total comprehensive expense	-	-	(6,267,460)	(6,267,460)
Release of hedging reserve upon early termination of swap	-	387,198	-	387,198
<b>Balance at 30 September 2017</b>	1	-	(165,264)	(165,263)

# **LR (DURHAM) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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### **1 Accounting policies**

#### **Company information**

LR (Durham) 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.

#### **1.1 Accounting convention**

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.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on a going concern basis 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.

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 Loopsign Limited 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.

#### **1.2 Turnover**

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

#### **Deferred income**

Income from properties is allocated in the year to which it relates, with payments received in advance held as deferred income and credited to the statement of comprehensive income when earned.

#### **1.3 Investment properties**

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit or loss.

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

#### **1.4 Going concern**

The director believes that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of London & Regional Group Investments Limited. The director has received confirmation that London & Regional Group Investments Limited intends to support the company for at least one year after these financial statements are signed.

# LR (DURHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

---

### 1 Accounting policies

(Continued)

#### 1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# LR (DURHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

---

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.6 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.

### 1.7 Derivatives

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

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

# LR (DURHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2017

---

#### 1 Accounting policies

(Continued)

##### **Hedge accounting**

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

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

##### **Cash flow hedges**

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

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

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

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

##### **Deferred tax**

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

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



# LR (DURHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is 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.

#### Recoverability of debtors

The company makes an estimate of the recoverable value of its trade debtors. When carrying out the assessment the director considers factors including the aging profile of the debtors, historic experience and performance of debtors' business.

### 3 Turnover

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

	2017 £	2016 £
<b>Net rental income</b>		
Rental income	898,193	1,185,051
Turnover	898,193	1,185,051
Property outgoings	-	-
Net rental income	898,193	1,185,051

### 4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of the company's financial statements	-	-
Gain on disposal of investment property	(62,994)	-

Auditors' remuneration has been borne by London and Regional Properties Limited.

# LR (DURHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

### 5 Director's remuneration

The director did not receive any emoluments in respect of his services to the company (2016: £nil). The company has no employees other than the director (2016: none).

The above details of director's emoluments do not include the emoluments which are paid by a fellow subsidiary and recharged to the company as part of a management charge. This management charge, which in 2017 amounted to £251,944 (2016: £35,552), 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 director's emoluments. Mr Luck is a director of the ultimate parent company and the total emoluments of Mr Luck are included in the aggregate of directors' wages and salaries included in the financial statements of the ultimate parent company.

### 6 Interest receivable and similar income

	2017 £	2016 £
Interest on bank deposits	17	6

### 7 Interest payable and similar expenses

	2017 £	2016 £
Interest on bank overdrafts and loans	279,223	329,893
Swap termination cost	282,900	-
Interest payable to group undertakings	-	96,884
Amortisation of loan fees	134,602	25,825
	<u>696,725</u>	<u>452,602</u>

### 8 Tax on (loss)/profit on ordinary activities

	2017 £	2016 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	(722,000)	722,000

#### Factors affecting tax (credit)/charge for the 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%.

# LR (DURHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2017

#### 8 Tax on (loss)/profit on ordinary activities

(Continued)

The (credit)/charge for the year can be reconciled to the (loss)/profit per the statement of comprehensive income as follows:

	2017 £	2016 £
(Loss)/profit on ordinary activities before taxation	(6,989,460)	5,194,022
Expected tax charge based on the blended rate of corporation tax in the UK of 19.50% (2016: 20.00%)	(1,362,945)	1,038,804
Tax effect of expenses that are not deductible in determining taxable profit	1,365,000	-
Tax effect of income not taxable in determining taxable profit	-	(900,000)
Utilisation of tax losses	(2,055)	(138,804)
Origination and reversal of timing differences	(722,000)	722,000
Tax (credit)/expense for the year	(722,000)	722,000

In addition to the amount (credited)/charged to the statement of comprehensive income, the following amounts relating to tax have been recognised directly in other comprehensive income.

	2017 £	2016 £
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	-	(90,824)

The corporation tax (credit)/charge for the year has been reduced by £2,055 (2016: £138,804) because of losses surrendered by fellow subsidiary undertakings. No payment for this surrender will be made by the company.

#### 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 the March 2015 budget and affirmed in the March 2016 budget, will have no significant impact on these financial statements.

#### 9 Investment properties

	2017 £
<b>Fair value</b>	
At 1 October 2016	22,400,000
Disposals	(22,400,000)
At 30 September 2017	-

The investment property was sold on 30 June 2017 for £22.5m. The profit on disposal was £0.6m.

# LR (DURHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

### 10 Debtors

	2017 £	2016 £
<b>Amounts falling due within one year:</b>		
Amounts due from fellow group undertakings	86,659	1
	<u>86,659</u>	<u>1</u>
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 15)	-	90,824
	<u>-</u>	<u>90,824</u>
<b>Total debtors</b>	<u>86,659</u>	<u>90,825</u>

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

### 11 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	13	-	446,692
Trade creditors		-	60
Amounts due to fellow group undertakings		-	4,096,378
Other taxation and social security		-	52,164
Accruals and deferred income		251,944	421,810
		<u>251,944</u>	<u>5,017,104</u>

In the prior year the bank loan was stated net of finance charges of £33,308. Amounts due to fellow group undertakings are repayable on demand, unsecured and interest free.

# LR (DURHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

### 12 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	13	-	10,558,706
Derivative financial instruments		-	478,022
		<u>-</u>	<u>11,036,728</u>

In the prior year the bank loan was stated net of finance charges of £101,294.

#### Derivative financial instruments

The company borrowed at floating rates of interest and employed derivative financial instruments in the form of an interest rate swap to receive interest at 3 month LIBOR and pay fixed interest of 1.498%. The swap was based on principal amounts of the company's outstanding bank loans and was due to mature on 15 October 2020.

The instrument was used to hedge the company's exposure to interest rate movements on the outstanding bank loans. The fair value of the interest rate swap at the prior year end was £478k. The company 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 was recognised in other comprehensive income.

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

Following the sale of the company's investment property the underlying bank loan was redeemed and a break clause in the swap agreement was exercised resulting in the termination of the swap on 30th June 2017 (the date of sale). Accordingly there is no derivative liability outstanding at the year end.

### 13 Loans and overdrafts

	2017 £	2016 £
Bank loans	-	11,005,398
Payable within one year	-	446,692
Between one and two years	-	446,692
Between two and five years	-	10,112,014

The bank loans were secured over the investment property of the company, repayable in quarterly instalments and by a bullet on 15 October 2020. The loans bore interest at an effective fixed interest rate of 3.75% pa.

On 30th June 2017 the bank loan was redeemed using the net sale proceeds from the sale of the company's investment property.

# LR (DURHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2017

#### 14 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	15	-	722,000

#### 15 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
<b>Balances:</b>				
Investment property	-	722,000	-	-
Derivative financial instruments	-	-	-	90,824
	-	722,000	-	90,824

	Liabilities £	Assets £
<b>Movements in the year:</b>		
Balance at 1 October 2016	722,000	90,824
Transfer on disposal of investment property	(722,000)	-
Release on termination of hedging arrangement	-	(90,824)
Balance at 30 September 2017	-	-

#### 16 Called up share capital

	2017 £	2016 £
<b>Ordinary share capital</b>		
<i>Authorised</i>		
1,000 (2016: 1,000) ordinary shares of £1 each	1,000	1,000
<i>Issued and fully paid</i>		
1 (2016: 1) ordinary shares of £1 each	1	1

#### 17 Related party transactions

As the company is a wholly owned subsidiary of Loopsign Limited, 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.

# **LR (DURHAM) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### ***FOR THE YEAR ENDED 30 SEPTEMBER 2017***

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#### **18 Controlling party**

The immediate parent undertaking is London & Regional Group Investments Limited, a company incorporated and registered in England and Wales.

The ultimate parent undertaking is Loopsign Limited, a company incorporated in England and Wales.

London & Regional Group Holdings Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 30 September 2017. Loopsign Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 September 2017. The consolidated financial statements of Loopsign Limited can be obtained from the company secretary at Quadrant House, Floor 6, 4 Thomas More Square, London E1W 1YW.

The ultimate controlling parties are I M Livingstone and R J Livingstone through their joint ownership of Loopsign Limited.