

Hargreaves Properties Limited
Strategic Report, Directors' Report and Financial
Statements
Year Ended 31 December 2022

Company Registration No.00794877 (England and Wales)



Hargreaves Properties Limited

Company Information

Directors

J Hazelwood
R R Andrew
A N Skinner

Secretary

P Hamilton

Company number

00794877

Registered office

Kingston Manor
Kingston Gorse
West Sussex
BN16 1RR

Business address

Rustington House
Worthing Road
Rustington
West Sussex
BN16 3PS

Auditors

Kreston Reeves LLP
Chartered Accountants and Statutory Auditor
Springfield House
Springfield Road
Horsham
West Sussex
RH12 2RG

Hargreaves Properties Limited

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Hargreaves Properties Limited

Strategic Report Year ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Development, performance and position

The company operated as a property investment and development company in 2022, working with external consultants, managing agents, building contractors and bespoke advisors where appropriate.

The directors are satisfied with the company's trading during the year and financial position at the end of the year.

The directors agreed the 10 year growth strategy for the business in 2021. Property investment and development activity has progressed during the year, following the establishment in 2021 of a new Investment Committee to review opportunities to ensure delivery of the strategy. The company made progress across the development function with a number of sites at various stages of the development process and these continue into 2023, albeit a number of challenges were encountered, in particular, with progressing s278 works with a Local Authority. During the year, there were a number of further investment additions to the company's portfolio in the South East and acquisition opportunities continue to be sought, in line with the company's strategic objectives.

The year saw property values remain relatively static from the highs of 2021 in the first half of the year, with falls of between 10-15% across the commercial real estate market in the last 6 months of the year. The Hargreaves portfolio was not immune to these fluctuations despite a ten year low in vacancy rates

The company continues to make good progress in growing and maintaining income with rental recovery rates throughout 2022 at 99%. As leases expire and properties become vacant, they are, whenever appropriate, subjected to repairs and upgrading, in order to maximise their market appeal and rental value. Demand in the property market remained stable throughout 2022. Predicting market conditions for the rest of 2023 and beyond is difficult, in light of the turbulent economic conditions.

The company exceeded all KPIs set for the year save the investment target which was limited due to market conditions and endorsed by the Investment Committee.

The company made a loss before tax for the year of £20,524,302 (2021 profit: £48,464,208), of which £(29,526,645) was attributable to revaluation of investment property (2021: £40,272,649). The balance sheet shows total assets less current liabilities of £115,335,921 (2021: £138,809,651) and net assets of £101,843,721 (2021: £119,145,644) which includes a revaluation reserve of £76,188,090 (2021: £99,263,474).

Key performance indicators

The company's key financial and other performance indicators during the year were as follows:

	2022	2021
	£	£
EBITDA [1]	<u>9,022,277</u>	<u>8,195,674</u>

[1] - EBITDA = Earnings before interest, tax, depreciation, amortisation and revaluation.

Hargreaves Properties Limited

Strategic Report Year ended 31 December 2022

Financial instruments

The company is not party to any financial instruments. However, the parent company provides funding for the group, through a spread of long term and short terms arrangements, including clearing bank facilities, long term bank loans, deep discount securities and loans from directors and their associates. The group will continue to utilise these facilities for the foreseeable future.

The principal financial risks facing the company as part of the group are liquidity and interest rate changes. These are mitigated by a spread of maturity arrangements, ranging from one to twelve years, and also balancing fixed and variable rate lending. Credit risk is not considered to be material, as the majority of rental income is received in advance.

Cash surpluses are held with reputable financial institutions pre-approved by the directors.

The company does not use derivative financial instruments to manage interest rate costs.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are:

- Market conditions arising from turbulent economic conditions and rising inflation.
- Tenant failure and debt recovery problems.
- Increased price volatility affecting the development sector and more widely.

This report was approved by the board and signed on its behalf by:

R R ANDREW

Director

Date: 20 September 2023

Hargreaves Properties Limited

Directors' Report Year ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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. 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.

Principal activities

The company's principal business activity is property investment and development.

Results and dividends

The (loss)/profit for the year, after taxation, amounted to £(15.94m) (2021: £36.06m).

Dividends paid in the year amounted to £1.36m (2021: £2.58m).

Going concern

The directors have made an assessment of the going concern of Hargreaves Properties Limited, considering a number of procedures and factors.

No events or conditions have been identified that may individually or collectively, cast significant doubt on the entity's ability to continue as a going concern.

The directors have assessed that a material uncertainty related to going concern does not exist and the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Hargreaves Properties Limited

Directors' Report Year ended 31 December 2022

Directors

The following directors have held office since 1 January 2022.

J Hazelwood
R R Andrew
A N Skinner

Auditors

All the current directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Kreston Reeves LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next directors' meeting.

Post balance sheet events

There have been no significant events since the year end.

Matters covered in the strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial instruments.

This report was approved by the board and signed on its behalf by:

R R ANDREW

Director

Date: 20 September 2023

Hargreaves Properties Limited

Independent Auditor's Report to the Members of Hargreaves Properties Limited

Opinion

We have audited the financial statements of Hargreaves Properties Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 Strategic Report and in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Hargreaves Properties Limited

Independent Auditor's Report to the Members of Hargreaves Properties Limited - continued

Responsibilities of directors

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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to Landlord and Tenant legislation and health and safety. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and taxation legislation. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue or expenditure and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations and fraud; and
- Assessment of identified fraud risk factors; and
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business; and
- Performing analytical procedures with automated data analytics tools to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Identifying and testing journal entries, in particular manual entries made at the year end for financial statement preparation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Hargreaves Properties Limited

Independent Auditor's Report to the Members of Hargreaves Properties Limited - continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Auditors' 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.



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Graham Hunt BA FCA (Senior Statutory Auditor)

For and on behalf of Kreston Reeves LLP, Statutory Auditor
Horsham

Date: 21 September 2023

Hargreaves Properties Limited

Statement of Comprehensive Income Year ended 31 December 2022

	Notes	2022 £	2021 £
Turnover		12,032,268	10,800,585
Property expenses		(259,991)	(321,371)
Net income from property		<u>11,772,277</u>	<u>10,479,214</u>
Administrative expenses		(2,750,000)	(2,370,000)
Other income		-	86,460
Revaluation of investment property		(29,526,645)	40,272,649
Operating (loss)/profit	4	<u>(20,504,368)</u>	<u>48,468,323</u>
Other interest receivable and similar income		432	70
Interest payable and similar charges	6	(20,366)	(4,185)
(Loss)/profit on ordinary activities before taxation		<u>(20,524,302)</u>	<u>48,464,208</u>
Taxation on (loss)/profit on ordinary activities	7	4,582,379	(12,402,778)
(Loss)/profit for the financial year		<u>(15,941,923)</u>	<u>36,061,430</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>(15,941,923)</u></u>	<u><u>36,061,430</u></u>

All of the above relates to the continuing activities of the company.

The notes on pages 11 to 19 form part of these financial statements.

Hargreaves Properties Limited

Balance Sheet As at 31 December 2022

Company number 00794877	Notes	£	2022 £	£	2021 £
Fixed assets					
Investment property	9		215,818,262		221,586,000
Property, plant and equipment	10		432,427		432,427
			<u>216,250,689</u>		<u>222,018,427</u>
Current assets					
Debtors	11	1,057,530		1,099,904	
Cash at bank		1,762,093		1,637,976	
		<u>2,819,623</u>		<u>2,737,880</u>	
Creditors: amounts falling due within one year	12	(103,734,391)		(85,946,656)	
Net current liabilities			<u>(100,914,768)</u>		<u>(83,208,776)</u>
Total assets less current liabilities			<u>115,335,921</u>		<u>138,809,651</u>
Provisions for liabilities and charges	13		(13,492,200)		(19,664,007)
Net assets			<u>101,843,721</u>		<u>119,145,644</u>
Capital and reserves					
Called up share capital	14		620,000		620,000
Revaluation reserve			76,188,090		99,263,474
Profit and loss account			25,035,631		19,262,170
Shareholders' funds			<u>101,843,721</u>		<u>119,145,644</u>

The accounts were approved and authorised for issue by the Board on 20 September 2023.

R R ANDREW
Director

The notes on pages 11 to 19 form part of these financial statements.

Hargreaves Properties Limited

Statement of Changes in Equity Year ended 31 December 2022

	Called up Share Capital £	Profit and Loss Account £	Revaluation Reserve* £	Total Equity £
At 25 December 2020	620,000	14,886,661	70,152,553	85,659,214
Total comprehensive income	-	36,061,430	-	36,061,430
Dividends paid	-	(2,575,000)	-	(2,575,000)
Transfer of revaluation of investment property	-	(40,272,649)	40,272,649	-
Transfer of deferred tax movements on the revaluation of investment property	-	11,161,728	(11,161,728)	-
At 31 December 2021	620,000	19,262,170	99,263,474	119,145,644
Total comprehensive income	-	(15,941,923)	-	(15,941,923)
Dividends paid	-	(1,360,000)	-	(1,360,000)
Transfer of revaluation of investment property	-	29,526,645	(29,526,645)	-
Transfer of deferred tax movements on the revaluation of investment property	-	(6,451,261)	6,451,261	-
At 31 December 2022	<u>620,000</u>	<u>25,035,631</u>	<u>76,188,090</u>	<u>101,843,721</u>

* The revaluation reserve is not distributable.

The notes on pages 11 to 19 form part of these financial statements.

Hargreaves Properties Limited

Notes to the Financial Statements Year ended 31 December 2022

1 General information

Hargreaves Properties Limited is a private company limited by shares incorporated in England & Wales under the Companies Act. The address of the registered office and principal place of business is given on the company information page.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of investment properties.

The financial statements are presented in 'sterling', which is the functional currency of the company and all amounts are rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - disclosure exemption

The company is a qualifying entity under FRS 102 and has adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes.
- The requirement to disclose financial instruments.
- The requirement to disclose transactions entered into between two or more members of a group.

This information is included in the consolidated financial statements of Hargreaves Property Holdings Ltd, which are available from Companies House.

2.3 Revenue

Turnover represents gross amounts receivable by the company, under operating leases adjusted for lease incentives, excluding VAT. Lease incentives are recognised as an integral part of the net consideration for the leased properties and amortised on a straight line basis over the term of the lease.

Turnover excludes service charges and other costs directly recoverable from tenants.

Turnover-based rents and indexed rents are recognised as turnover in the periods in which they are earned. Rent reviews are recognised when the rent review deed has been agreed with the tenant.

2.4 Expenditure

Irrecoverable running costs directly attributable to specific properties are charged to profit or loss on an accruals basis. Cost incurred on the refurbishment of properties which, in the opinion of the directors, are not of a capital nature are written off to profit or loss on an accruals basis.

Costs not directly attributable to individual properties are charged to profit or loss as administrative expenditure.

Hargreaves Properties Limited

Notes to the Financial Statements Year ended 31 December 2022

2.5 Leased assets

All leases are treated as operating leases. Rentals paid under operating leases are charged to profit or loss on a straight line basis over the term of the lease.

2.6 Investment property

Investment property is carried at fair value determined annually by the directors on the basis of information provided by third party professionally qualified valuers or other suitable market experts, derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Additions to investment properties comprise the acquisition price and associated costs together with other costs of a capital nature, such as redevelopment costs that are directly attributable to that property.

Disposals are recognised in the financial statements if an unconditional contract is exchanged at the balance sheet date provided that, if exchange is conditional, all material conditions have been satisfied and there are no foreseeable circumstances which might prevent completion of contract occurring. The profit or loss arising is calculated by reference to the carrying value of the asset at the beginning of the year, adjusted for subsequent capital expenditure, and stated after deduction of selling costs and is recognised in profit or loss.

2.7 Property, plant and equipment

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets, excluding land, less their estimated residual value, over their estimated useful lives as shown below.

Depreciation is provided on the following basis:

Land and buildings	- If determinable, over the remaining useful life of the asset where estimated residual value is expected to be less than the lower of carrying value or historical cost.
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The assets' estimated residual values, useful lives and depreciation methods are reviewed and adjusted prospectively, if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in profit or loss.

2.8 Debtors

Debtors receivable within one year and with no stated interest rate are initially recognised at the transaction price. Debtors due after more than one year are held at amortised cost.

2.9 Financial instruments

The company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities.

Basic debt instruments are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment, which, if found, is recognised as an impairment loss in profit or loss.

Hargreaves Properties Limited

Notes to the Financial Statements Year ended 31 December 2022

2.10 Creditors

Creditors payable within one year and with no stated interest rate are initially recognised at the transaction price.

2.11 Dividends

Equity dividends are recognised when paid.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is the tax payable or receivable in respect of taxable profit for the current and previous reporting period. The charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax represents future tax consequences of items recognised in the current and previous periods. Timing differences are differences between taxable profit and total comprehensive income as stated in the financial statements.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date, that are expected to apply at the date of reversal of the timing difference.

2.13 Going concern

As an ongoing part of the management of the affairs of the company detailed forecasts and projections are prepared. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and, in the opinion of the directors, these financial statements may validly be prepared on a going concern basis. The company's ability to continue to trade is dependent upon the support of its parent company.

Hargreaves Properties Limited

Notes to the Financial Statements Year ended 31 December 2022

3 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make estimates, judgements and assumptions when accounting for individual entries in accordance with stated accounting policies. These decisions are made at the time the financial statements are prepared and approved and are based on experience and knowledge of the detailed facts, taking a reasonable view at the time. Actual results could differ from these estimates and judgements, in which case any variance is reflected within the accounting records once it becomes apparent. Information about such judgements and estimation is contained in the accounting policies or the notes to the financial statements and the key areas are summarised below.

Investment properties

Key judgements and estimates are adopted as part of the valuation process which give rise to a level of uncertainty, such as relevant investment yields, future rental values, refurbishment costs, void lengths, lease incentives, tenant demand and covenants. The effect in aggregate of these judgements and estimates has a significant effect on reported fair values.

Provision for liabilities and charges - Deferred taxation

Provision have been made in the financial statements for deferred tax amounting to £13,492,200 (2021: £19,664,007) at the reporting date (see note 13). A deferred tax asset amounting to £67,282 (2021: £67,282) has also been made at the reporting date (see note 11). These provisions are based upon estimates of the availability of future taxable profits, the timing of the reversal of timing differences upon which the provision is based and the tax rates that will be in force at that time together with an assessment of the impact of future tax planning strategies.

4 Operating (loss)/profit

	2022	2021
	£	£

Operating (loss)/profit is stated after charging:

Operating leases	199,796	216,551
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The auditors remuneration of £60,000 (2021: £44,500) has been paid by another group company (total for the group).

5 Employees and directors' remuneration

There were no employees during the year apart from the directors. There were no emoluments paid to the directors in the current or previous year by the company. This cost was paid by another group company.

The total compensation of the company directors was:

	2022	2021
	£	£
Compensation for qualifying services	1,186,261	1,006,810
Company pension contributions to money purchase schemes	-	-
Number of directors accruing benefits under money purchase pension schemes	Number 3	Number 3
Compensation for the highest paid director:		
Emoluments	522,997	495,728
Pension contributions	-	-

Certain other benefits which were not capable of being reasonably valued were provided during the course of the year.

Hargreaves Properties Limited

Notes to the Financial Statements Year ended 31 December 2022

6 Interest payable and similar expenses

	2022 £	2021 £
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Other interest payable	20,366	4,185
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7 Taxation on (loss)/profit on ordinary activities

	2022 £	2021 £
Corporation tax		
Current tax on (losses)/profits for the year	1,130,126	872,687
Adjustment in respect of previous periods	459,302	(4,619)
Total current tax	<u>1,589,428</u>	<u>868,068</u>
Deferred tax		
Origination and reversal of timing differences	279,454	372,982
On unrealised revaluation gains	(6,451,261)	11,161,728
Taxation on (loss)/profit on ordinary activities	<u>(4,582,379)</u>	<u>12,402,778</u>

Factors affecting tax charge for the year

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19% (2021 higher: 19%). The differences are explained below:

	2022 £	2021 £
(Loss)/profit on ordinary activities before tax	<u>(20,524,302)</u>	<u>48,464,208</u>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2021: 19%)	(3,899,618)	9,208,200
<i>Effect of:</i>		
Income and expenses not eligible for tax purposes	5,610,063	(7,826,010)
Capital allowances in excess of depreciation	-	263,028
Additional deduction from land remediation expenditure	(1,432)	(2,850)
Group relief claimed	(355,449)	(593,027)
Adjustment to tax charge in prior periods	459,302	(4,619)
Change in tax rate in future years	-	2,545,899
Timing difference of tax relief of lease premiums	-	3,380
Unrealised gains	(6,395,245)	8,808,777
Total tax charge for the year	<u>(4,582,379)</u>	<u>12,402,778</u>

8 Dividends	2022 £	2021 £
Ordinary dividend		
Interim paid on Ordinary shares of £2.1935 per share (2021: £4.1532)	<u>1,360,000</u>	<u>2,575,000</u>

Hargreaves Properties Limited

Notes to the Financial Statements Year ended 31 December 2022

9 Investment property

	Freehold investment properties £	Short leasehold investment properties £	Long leasehold investment properties £	Total £
Fair value				
At 31 December 2021	152,866,000	2,140,000	66,580,000	221,586,000
Additions	23,758,908	-	-	23,758,908
Revaluations	(19,226,646)	(90,000)	(10,210,000)	(29,526,646)
At 31 December 2022	<u>157,398,262</u>	<u>2,050,000</u>	<u>56,370,000</u>	<u>215,818,262</u>

The fair value of the Company's investment properties at 31 December 2022 was calculated by the directors on the basis of information provided by third party professionally qualified valuers or other suitable market experts.

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2022 £	2021 £
Cost	130,805,805	107,046,896
Accumulated impairment	(5,841,041)	(2,332,241)
	<u>124,964,764</u>	<u>104,714,655</u>

10 Property, plant and equipment

	Land and buildings £
Cost	
At 31 December 2021	432,427
At 31 December 2022	<u>432,427</u>
Depreciation	
At 31 December 2021 and at 31 December 2022	-
Net book value	
At 31 December 2022	<u>432,427</u>
At 31 December 2021	<u>432,427</u>

Hargreaves Properties Limited

Notes to the Financial Statements Year ended 31 December 2022

11 Debtors - amounts falling due within one year	2022 £	2021 £
Rents receivable	358,672	230,883
Other debtors	-	116,500
Prepayments and accrued income	119,945	162,759
Deferred tax asset	14,992	14,992
	<u>493,609</u>	<u>525,134</u>

Debtors - amounts falling due after more than one year

Prepayments and accrued income	511,631	522,480
Deferred tax asset	52,290	52,290
	<u>563,921</u>	<u>574,770</u>
	<u>1,057,530</u>	<u>1,099,904</u>

The deferred tax asset represents short lease premium paid. The movement in the year represents amounts transferred to profit or loss.

12 Creditors: amounts falling due within one year	2022 £	2021 £
Amounts owed to group undertakings	90,549,507	79,909,485
Corporation tax	1,040,318	875,958
Other taxes and social security costs	28,484	55,249
Other creditors	2,128,626	2,011,296
Rents received in advance	127,759	31,589
Other accruals and deferred income	9,859,697	3,063,079
	<u>103,734,391</u>	<u>85,946,656</u>

13 Provisions for liabilities and charges

	2022 £	2021 £
Deferred taxation		
At 31 December	19,664,007	8,124,543
Charged to profit or loss in year	(6,171,807)	11,539,464
At 31 December	<u>13,492,200</u>	<u>19,664,007</u>
Representing:		
Capital allowances in excess of depreciation	1,303,333	1,023,879
On unrealised revaluation gains	12,188,867	18,640,128
	<u>13,492,200</u>	<u>19,664,007</u>

Hargreaves Properties Limited

Notes to the Financial Statements Year ended 31 December 2022

14 Share capital	2022	2021
	£	£
Allotted, called up and fully paid		
620,000 Ordinary shares of £1 each	<u>620,000</u>	<u>620,000</u>
15 Lease commitments	2022	2021
	£	£
Total future minimum lease payments in respect of non-cancellable operating lease rents on investment properties are payable as follows:		
Within 1 year	199,508	199,508
After 1 year and within 5 years	798,032	798,032
After 5 years	9,491,800	9,691,308
	<u>10,489,340</u>	<u>10,688,848</u>
16 Financial commitments		
The company has entered into a guarantee in respect of borrowings from Canada Life Limited to Hargreaves Property Holdings Limited, a fellow group company, which amounted to £50,000,000 (2021: £20,000,000). Properties of the company valued at £55,813,000 (2021: £63,330,000) have been used as security against the borrowings, together with property of 5 (2021: 5) of its fellow group undertakings.		
17 Ultimate parent company		
The immediate parent of the company is Hargreaves Group Holdings Limited. The UK parent of the largest and smallest group financial statements that consolidate the company is Hargreaves Property Holdings Limited which is registered in England and Wales, whose registered office is, Kingston Manor, Kingston Gorse, West Sussex, BN16 1RR. These group financial statements are available to the public from Companies House. The ultimate parent company is Hargreaves Property Holdings (2015) Limited which is registered in Guernsey.		

Hargreaves Properties Limited

Notes to the Financial Statements Year ended 31 December 2022

18 Related party transactions

Included within these financial statements are the following related party transactions:

	2022	2021
	Entities under the control of key management personnel £	Entities under the control of key management personnel £
Property expenses	<u>145,475</u>	<u>147,622</u>

The company is a wholly owned subsidiary of Hargreaves Property Holdings (2015) Limited and has taken advantage of the exemption conferred by the provisions of FRS 102 Section 33, not to disclose transactions with Hargreaves Property Holdings (2015) Limited or wholly owned subsidiaries within the group.