

**LR SKIPTON HOUSE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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# LR SKIPTON HOUSE LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr L Sebastian Mr R J Livingstone
<b>Company number</b>	04272477
<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 SKIPTON HOUSE LIMITED**

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# **LR SKIPTON HOUSE LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present the strategic report for the year ended 31 December 2019.

In the current year the company's results are presented for the year from 1 January 2019 to 31 December 2019.

In the previous period the company's accounting reference date was changed from 30 September to 31 December. As a result the comparative results presented in these financial statements are for a 15 month period from 1 October 2017 to 31 December 2018.

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

The company acts as a commercial property investment company. The company made a profit of £3.1m for the year ended 31 December 2019 (2018: £6.1m). Net assets were £90.2m at the year end (2018: £86.9m).

The directors consider the financial position and future prospects at 31 December 2019 to be satisfactory, however the impact of Covid-19 is expected to reduce the entity's profitability in the coming year.

The impact of the Covid-19 pandemic has meant that the planned refinancing of the company's external debt of £64,751,647 has been slightly delayed and the company has agreed an extension of the current loan period with the lenders to 15 October 2020 to provide time to complete the refinancing. The directors are confident that this will be achieved and also note the continued support of its intermediate parent company, London and Regional Group Property Holdings Limited.

#### **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 company 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 Skipton House Limited is managed by the directors in accordance with the strategies of its ultimate parent company, London and Regional Group Properties Ltd. For this reason, the directors believe 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 company has net current liabilities. The directors believe that preparing the financial statements on the going concern basis is appropriate due to the guarantee provided by the intermediate parent company, London and Regional Group Property Holdings Ltd, on the bank loan. The bank loan was due for repayment in full in April 2020 however the repayment period was extended to 15 October 2020 and the directors expect the bank loan to be refinanced in October 2020, the refinancing has not been agreed as at the date of signing these financial statements. The company will therefore be relying on the guarantee provided by London and Regional Group Property Holdings Ltd should the bank loan not be refinanced in October and become due for full repayment. The directors have received confirmation that London and Regional Group Property Holdings Ltd intends to support the company for at least 12 months after these financial statements are signed.

# LR SKIPTON HOUSE LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

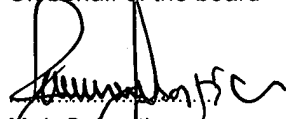
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### **Subsequent events**

Subsequent to the year end the impact of COVID-19 on the UK economy took hold towards the end of March 2020 and it has subsequently had a significant impact on the wider economy as well as the company's areas of operations.

COVID-19 is viewed as a non-adjusting event for the purposes of these financial statements however the directors have had to consider its potential impact on the business when considering the ability of the company to operate as a going concern.

On behalf of the board



Mr L Sebastian

Director

28/08/2020

# LR SKIPTON HOUSE LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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

#### Directors

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

Mr L Sebastian  
Mr R J Livingstone

#### Results and dividends

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

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

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

#### Qualifying third party indemnity provisions

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

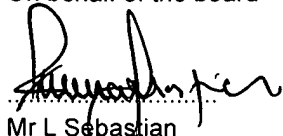
#### Independent Auditors

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

#### Statement of disclosure of information to Independent Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as director in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mr L Sebastian

Director

28/08/2020

# LR SKIPTON HOUSE LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

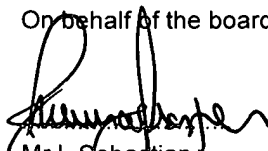
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

On behalf of the board



Mr L Sebastian  
Director  
28/08/2020

# **LR SKIPTON HOUSE LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF LR SKIPTON HOUSE LIMITED**

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

##### **Opinion**

In our opinion, LR Skipton House Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of total comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### **Independence**

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

##### **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 where:

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



# **LR SKIPTON HOUSE LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE MEMBERS OF LR SKIPTON HOUSE LIMITED**

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

If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

#### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](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 SKIPTON HOUSE LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE MEMBERS OF LR SKIPTON HOUSE LIMITED**

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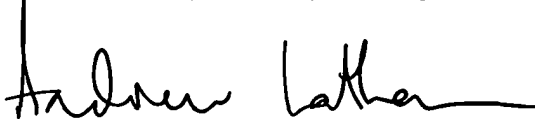
#### **Other required reporting**

#### **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 directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Latham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
29 August 2020

# LR SKIPTON HOUSE LIMITED

## STATEMENT OF TOTAL COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 31 DECEMBER 2019**

		<b>Year ended 31 December 2019 £</b>	<b>Period ended 31 December 2018 £</b>
	<b>Notes</b>		
<b>Turnover</b>	<b>3</b>	7,500,000	10,626,032
Administrative expenses		(288,646)	(390,942)
<b>Operating profit</b>	<b>4</b>	7,211,354	10,235,090
Interest payable and similar expenses	<b>6</b>	(3,433,087)	(4,340,533)
<b>Profit on ordinary activities before taxation</b>		3,778,267	5,894,557
Tax on profit on ordinary activities	<b>7</b>	(717,871)	184,000
<b>Profit for the financial year/period</b>		3,060,396	6,078,557
<b>Other comprehensive income/(expense)</b>			
Cash flow hedges			
- Change in value of hedging instruments		301,294	719,453
- Tax relating to other comprehensive income		(57,246)	(136,696)
<b>Total comprehensive income for the year/period</b>		3,304,444	6,661,314

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

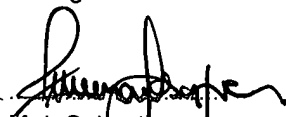
# LR SKIPTON HOUSE LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Investment properties	8	140,000,000		140,000,000	
<b>Current assets</b>					
Debtors	9	26,189,021		21,914,598	
Cash at bank and in hand		1,875,040		1,875,058	
		28,064,061		23,789,656	
<b>Creditors: amounts falling due within one year</b>	10	(68,532,871)		(2,782,632)	
<b>Net current (liabilities)/assets</b>		(40,468,810)		21,007,024	
<b>Total assets less current liabilities</b>		99,531,190		161,007,024	
<b>Creditors: amounts falling due after more than one year</b>	11	(16,067)		(64,853,591)	
<b>Provisions for liabilities</b>	13	(9,293,947)		(9,236,701)	
<b>Net assets</b>		90,221,176		86,916,732	
<b>Capital and reserves</b>					
Called up share capital	15	1		1	
Hedging reserve		(13,014)		(257,062)	
Retained earnings		90,234,189		87,173,793	
<b>Total equity</b>		90,221,176		86,916,732	

The financial statements were approved by the board of directors and authorised for issue on 28/08/2020 and are signed on its behalf by:

  
Mr L Sebastian  
Director

Company Registration No. 04272477

# LR SKIPTON HOUSE LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Hedging reserve	Retained earnings	Total
	£	£	£	£
<b>Balance at 1 October 2017</b>	1	(839,819)	81,095,236	80,255,418
Profit for the financial period	-	-	6,078,557	6,078,557
Other comprehensive income/(expense):				
- Movements in cash flow hedges	-	719,453	-	719,453
- Tax relating to other comprehensive income	-	(136,696)	-	(136,696)
<b>Total comprehensive income for the period</b>	-	582,757	6,078,557	6,661,314
<b>Balance at 31 December 2018</b>	1	(257,062)	87,173,793	86,916,732
Profit for the financial year	-	-	3,060,396	3,060,396
Other comprehensive income/(expense):				
- Movements in cash flow hedges	-	301,294	-	301,294
- Tax relating to other comprehensive income	-	(57,246)	-	(57,246)
<b>Total comprehensive income for the year</b>	-	244,048	3,060,396	3,304,444
<b>Balance at 31 December 2019</b>	1	(13,014)	90,234,189	90,221,176

Included within retained earnings is an amount of £67,392,183 (2018: £67,392,183) relating to gains from investment property revaluation and associated deferred tax which is non-distributable.

# LR SKIPTON HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

##### General information

LR Skipton House Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House, Floor 6, 4 Thomas More Square, London, E1W 1YW.

The company acts as a commercial property investment company.

##### 1.1 Statement of compliance

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

##### 1.2 Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

##### 1.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

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

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17 (d) of FRS 102; and
- from the requirement to present financial instruments disclosures, as required by FRS 102 paragraphs 11.39 to 11.48A, paragraph 12.26 and 12.29; and
- from the requirement to disclose transactions or balances with entities which form part of the group as required by paragraph 33.1A of FRS 102.

##### 1.4 Going concern

The company has net current liabilities. The directors believe that preparing the financial statements on the going concern basis is appropriate due to the guarantee provided by the intermediate parent company, London and Regional Group Property Holdings Ltd, on the bank loan. The bank loan was due for repayment in full in April 2020 however the repayment period was extended to 15 October 2020 and the directors expect the bank loan to be refinanced in October 2020, the refinancing has not been agreed as at the date of signing these financial statements. The company will therefore be relying on the guarantee provided by London and Regional Group Property Holdings Ltd should the bank loan not be refinanced in October and become due for full repayment. The directors have received confirmation that London and Regional Group Property Holdings Ltd intends to support the company for at least 12 months after these financial statements are signed.

##### 1.5 Turnover

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

##### 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 profit and loss when earned.

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# LR SKIPTON HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

##### 1.6 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 at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

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

##### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

##### 1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

# LR SKIPTON HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

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

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

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

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

##### ***Basic financial liabilities***

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

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

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

##### ***Other financial liabilities***

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

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

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

#### 1.9 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.

#### 1.10 Taxation

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

##### ***Current tax***

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



# LR SKIPTON HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

#### **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.

### 2 Critical accounting judgements and estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **a) Critical judgements in applying the entity's accounting policies**

The directors have not applied any judgements in applying the company's accounting policies.

#### **b) Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### **Valuation of investment properties**

Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate, however there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market.

#### **Recoverability of amounts due from fellow group undertakings**

The company makes an estimate of the recoverable value of the amounts due from fellow group undertakings. When carrying out the assessment directors consider factors including the aging profile of the debtors, historic experience and performance of debtors business.

### 3 Turnover

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

# LR SKIPTON HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 4 Operating profit

	Year ended 31 December 2019	Period ended 31 December 2018
Operating profit for the year/period is stated after charging:	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	-	-

Auditors' remuneration has been borne by fellow subsidiary company, London & Regional Properties Limited.

#### 5 Directors' remuneration

The directors did not receive any emoluments in respect of their services to the company (2018: £nil). The company has no employees (2018: none) other than the directors.

The above details of directors' emoluments do not include the emoluments which are paid by a fellow subsidiary and recharged to the company as part of a management charge. This management charge, which in 2019 amounted to £270,000 (2018: £382,537), also includes a recharge of administration costs borne by the fellow subsidiary on behalf of the company and it is not possible to identify separately the amount of the directors' emoluments. Mr R J Livingstone is a director of the ultimate parent company and a number of fellow subsidiary companies, and his total emoluments are included in the aggregate of directors' emoluments included in the financial statements of the ultimate parent company. Mr L Sebastian is a director of the intermediate parent company and a number of fellow subsidiary companies. The emoluments of Mr L Sebastian are included in the aggregate directors emoluments of the financial statements of the intermediate parent company.

#### 6 Interest payable and similar expenses

	Year ended 31 December 2019	Period ended 31 December 2018
	£	£
Interest on bank overdrafts and loans	3,217,670	4,070,078
Amortization of loan fees	215,417	270,455
	<u>3,433,087</u>	<u>4,340,533</u>

# LR SKIPTON HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 7 Tax on profit on ordinary activities

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current year / period	717,871	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(184,000)
<b>Total tax charge/(credit)</b>	<b>717,871</b>	<b>(184,000)</b>

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

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Profit on ordinary activities before taxation	3,778,267	5,894,557
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	717,871	1,119,966
Effect of revaluations of investments	-	(184,000)
Utilisation of tax losses	-	(1,119,966)
<b>Tax charge/(credit) for the year/period</b>	<b>717,871</b>	<b>(184,000)</b>

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

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	57,246	136,696

# LR SKIPTON HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 7 Tax on profit on ordinary activities

In the prior period, the corporation tax charge was reduced by £1,119,966 as a result of losses surrendered by fellow subsidiary undertakings. No payment for this surrender is to be made by the company.

#### Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

#### 8 Investment properties

	£
<b>Fair value</b>	
At 1 January 2019 and 31 December 2019	<u>140,000,000</u>

The investment property was valued by the directors after taking advice from a professional valuer on an open market value basis at 31 December 2019. The valuation has been made in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom.

The investment property has been charged to secure the bank loan of the company and that of a fellow subsidiary company.

#### 9 Debtors

	2019 £	2018 £
Amounts due from fellow group undertakings	<u>26,189,021</u>	<u>21,914,598</u>

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

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

	Note	2019 £	2018 £
Bank loans and overdrafts	12	64,751,647	-
Trade creditors		379,338	-
Corporation tax		717,871	-
Accruals and deferred income		<u>2,684,015</u>	<u>2,782,632</u>
		<u>68,532,871</u>	<u>2,782,632</u>

Bank loans and overdrafts are stated net of finance charges of £8,285 (2018: £nil) to be allocated to future periods.

# LR SKIPTON HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Note	2019 £	2018 £
Bank loans and overdrafts	12	-	64,536,230
Derivative financial instruments		16,067	317,361
		<u>16,067</u>	<u>64,853,591</u>

Bank loans and overdrafts are stated net of finance charges of £nil (2018: £223,702) to be allocated to future periods.

#### 12 Bank loans and overdrafts

	2019 £	2018 £
Bank loans	<u>64,751,647</u>	<u>64,536,230</u>
Payable within one year	64,751,647	-
Payable between two and five years	<u>-</u>	<u>64,536,230</u>

The bank loans are secured over the investment property of the company.

The bank loan bears interest at a fixed rate of 4.93% per annum. As at 31 December 2019 the bank loan was repayable in full in April 2020. The facility has been extended to 15 October 2020 and the directors are currently in the process of putting a new facility in place which they expect to have completed before the current facility expires.

#### 13 Provisions for liabilities

	Note	2019 £	2018 £
Deferred tax liabilities	14	<u>9,293,947</u>	<u>9,236,701</u>

#### 14 Deferred tax

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 2019 £	Liabilities 2018 £
<b>Balances:</b>		
Investment property	9,297,000	9,297,000
Derivative financial instruments	<u>(3,053)</u>	<u>(60,299)</u>
	<u>9,293,947</u>	<u>9,236,701</u>

# LR SKIPTON HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 14 Deferred tax

<b>Movements in the year:</b>	<b>£</b>
Liability at 1 January 2019	9,236,701
Charge to other comprehensive income	57,246
Liability at 31 December 2019	<u>9,293,947</u>

#### 15 Called up share capital

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Ordinary share capital</b>		
<b><i>Authorised</i></b>		
1,000 (2018: 1,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b><i>Issued and fully paid</i></b>		
One (2018: one) ordinary share of £1	<u>1</u>	<u>1</u>

#### 16 Related party transactions

As the company is a wholly owned subsidiary of London and Regional Group Properties 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.

#### 17 Controlling party

The immediate parent undertaking is LR Skipton and Bloomsbury Limited, a company incorporated and registered in England and Wales.

The ultimate parent undertaking is London and Regional Group Properties Ltd, a company incorporated in England and Wales.

London and Regional Group Property Holdings Ltd is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 31 December 2019. London and Regional Group Properties Ltd is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of London and Regional Group Property Holdings Ltd and London and Regional Group Properties Ltd can be obtained from the company secretary at Quadrant House, Floor 6, 4 Thomas More Square, London E1W 1YW.

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

# **LR SKIPTON HOUSE LIMITED**

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

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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### **18 Subsequent events**

Subsequent to the year end the impact of COVID-19 on the UK economy took hold towards the end of March 2020 and it has subsequently had a significant impact on the wider economy as well as the company's areas of operations.

COVID-19 is viewed as a non-adjusting event for the purposes of these financial statements however the directors have had to consider its potential impact on the business when considering the ability of the company to operate as a going concern.