

**THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2019**

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

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# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## DIRECTORY

### Registered Office

CTV House  
La Pouquelaye  
St Helier  
Jersey, JE2 3GF

### Investment Advisors

LCP Capital Investments Ltd  
LCP House  
Ogle Street  
London, W1W 6HU

### Auditor

Grant Thornton Limited  
PO Box 313, Lefebvre House  
Lefebvre Street, St Peter Port  
Guernsey, GY1 3TF

### Property Lawyers

William Sturges LLP  
Burwood House, 14-16 Caxton Street  
London, SW1H 0QY

### Property Manager

London Central Portfolio Limited  
LCP House, Ogle Street  
London, W1W 6HU

### Independent Valuers

Adelaide Jones & Co. Ltd  
116 Seymour Place  
London, W1H 1 NW

### Administrator, Transfer Agent, Registrar and Listing Sponsor

Intertrust Fund Services (Guernsey) Limited  
PO Box 119, Martello Court  
Admiral Park  
St Peter Port  
Guernsey, GY1 3HB

### Bankers in Guernsey

Butterfield Bank (Guernsey) Limited  
(name change from ABN AMRO (Channel Islands) Limited with effect from 15 July 2019)  
PO Box 253  
Martello Court  
Admiral Park  
St Peter Port  
Guernsey, GY1 3QJ

### Legal Advisors to the Fund in Jersey

Carey Olsen  
PO Box 98, Carey House  
Les Banques, St Peter Port  
Guernsey, GY1 4BZ

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## INTERIM REPORT OF THE DIRECTORS

### SIX MONTHS ENDED 30 SEPTEMBER 2019

The Directors present their unaudited report and financial statements of The London Central Residential Recovery Fund (the "Company" or the "Fund") for the period ended 30 September 2019.

#### **Status and activities**

The Company is a closed ended limited liability public company which is an Unregulated Exchange Traded Fund and was incorporated in Jersey on 10 March 2009 under the Companies (Jersey) Law 1991 (as amended) and admitted to trading on The International Stock Exchange on 22 January 2010. On 17 March 2010, 13,697.50 ordinary shares were issued to shareholders. A further 54,603.55 ordinary shares were issued on 16 April 2010.

The Company's objective is to deliver a consistently good market performance from an individually selected and diversified portfolio of prime residential property in central London and to optimise the total return through a combination of rental yield and capital appreciation.

#### **Directors' responsibilities**

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit and loss of the Company for that period and are in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102 ("FRS 102") 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and with applicable laws. In preparing those financial statements the Directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the interim financial information.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Jersey) Law, 1991 (as amended). 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.

#### **Results and dividends**

The results for the period are shown in the Statement of Comprehensive Income on page 8. The Directors did not pay a dividend and do not recommend a dividend for the period.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## INTERIM REPORT OF THE DIRECTORS (Continued) SIX MONTHS ENDED 30 SEPTEMBER 2019

The Directors of the Company who served during the period ended 30 September 2019 and to date are:

Peter Francis Griffin (Chairman)  
Naomi Claire Helen Heaton  
Richard Crowder

The Directors' interest in the Ordinary Shares of the Company were as follows:

	Period ended 30 September 2019 Ordinary shares	Year ended 31 March 2019	Period ended 30 September 2018 Ordinary shares
Peter Francis Griffin	nil	nil	nil
Naomi Claire Helen Heaton	250	250	250
Richard Crowder	nil	nil	nil
Denton & Co Trustees Limited	600	600	600

Denton & Co Trustees Limited is a company in which Naomi Heaton has an interest as a Beneficiary and Settlor.

### Directors' remuneration

The emoluments of the individual Directors for the period were as follows:

	Period ended 30 September 2019	Year ended 31 March 2019	Period ended 30 September 2018
Peter Griffin	6,250	12,500	nil
Naomi Heaton	nil	nil	nil
Richard Crowder	6,250	12,500	6,250

Naomi Heaton is the Chief Executive Officer of London Central Portfolio Limited and LCP Capital Investments Limited. London Central Portfolio Limited are engaged by the Company as Property Managers pursuant to the terms of the Search & Purchase Management Agreement, Letting & Rental Management Agreement and Refurbishment & Furnishing Agreement. LCP Capital Investments Limited are engaged by the Company as Investment Advisors pursuant to an agreement concerning provision of investment advice.

Intertrust Fund Services (Guernsey) Limited are engaged as Administrator to the Company pursuant to the terms of an Administration Agreement and is part of the Intertrust Group.

### Substantial shareholdings

At 30 September 2019 the issued share capital of the Company was 68,301.05 (31 March 2019: 68,301.05; 30 September 2018: 68,301.05) ordinary shares of £0.01 each. At 30 September 2019 the following shareholders had an interest of 3% or more in the issued Ordinary Shares of the Company.

	Number of Ordinary Shares	% of issued ordinary share capital
Gateley Custodian and Nominee Services Limited	27,064	39.62

# **THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED**

**INTERIM REPORT OF THE DIRECTORS (continued)**  
**SIX MONTHS ENDED 30 SEPTEMBER 2018**

## **Financial instruments and risk management**

Information on the use of financial instruments by the Company and its management of financial risk is disclosed in note 22 to the financial statements.

**APPROVED BY THE BOARD OF DIRECTORS**

**PETER GRIFFIN**

Director

Date: 24 January 2020

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## INTERIM INVESTMENT MANAGERS REPORT

### SIX MONTHS ENDED 30 SEPTEMBER 2019

At the balance sheet date, there had been very little positive news spinning out of the Palace of Westminster to offset the uncertainty caused by the political stagnation that has characterised 2019 politics in the UK. Indeed, the threat of a Tory party implosion leaving a far-left Labour Government in power meant that investor appetite deteriorated further.

As a result, it is perhaps unsurprising that the number of transactions continue at an all-time low. Throughout the year ending September 2019, Prime Central London ("PCL") experienced a total of just 3,221<sup>1</sup> transactions. This figure represents:

- A reduction in transactions of 13.1%<sup>2</sup>, into the lowest level seen during the Global Financial Crisis ("GFC")
- A 60.1%<sup>3</sup> reduction on the pre-EU Referendum average
- The 33rd consecutive month whereby transaction volumes remained below 4,500 per annum (during the GFC, the trend ran for just 10 months)<sup>4</sup>

Transactional activity is a barometer for the market and it is clear that the current scenario represents an unprecedented and extended period of malaise.

Despite this, Knight Frank have reported that they have seen a widening imbalance between supply and demand over the course of 2019, stating that "downwards pressure on supply has resulted in the moderation of price declines"<sup>5</sup>. Coinciding with reduced stock availability came "the weakness of Sterling" and "the release of pent-up demand among needs-based buyers and ultra-low mortgage rates" which has started to tip demand levels.

However, it is unlikely to have escaped the collective attention that there has been a significant post-balance sheet date event. The General Election on the 12<sup>th</sup> December resulted in a clear Conservative majority, seeing off any threat of a Corbyn government and bringing with it a potential uptick in business confidence. Since the result, the markets have almost immediately reacted, with sterling briefly soaring above \$1.35 before settling at \$1.31<sup>4</sup>, up 9% on the 2019 low-point.

London Central Portfolio Limited's recent trip to SE Asia showed that there remains significant appetite for investment in PCL residential properties and this continues to grow. The sense that Hong Kong is on a steady and inevitable slide is palpable – whole floors of hotels are being moth-balled, with tourist and business travel decimated by the ongoing disturbances. Retail and restaurant vacancies are notable in even the most prominent of the central streets. Brexit pales in comparison and, with a resolution at least to stage one of the divorce process now seemingly a formality as a result of the General election result, it is felt that this issue has receded.

There is also a feeling that many real estate markets are late cycle, making yield hard to attain without significant risk. With \$17tn of negative yielding bonds in issue globally, it is clear that capital is looking for somewhere to park.

There is anecdotal support for the market already hardening, with competitive bidding situations and gazumping returning to the PCL. However, this is likely exacerbated by the shortage of stock – sellers remain reluctant to divest until the market has hardened.

It has always been LCP and LCPCI's view that there will be a point of inflexion in the market, where the supply:demand imbalance noted by Knight Frank tips in favour of price appreciation and the market normalises. Discounts for the dollar denominated investor remain in the 40+% realm in real terms, currency adjusted. The notoriously low yields PCL has offered have also pushed out over recent years and the combination of these factors makes it a compelling proposition again.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## INTERIM INVESTMENT MANAGERS REPORT (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### Fund and Net Asset Value Update

The London Central Residential Recovery Fund Limited came to the end of its defined 8-year Investment Period in May 2018. However, the AGM in December 2018 saw the Shareholders vote overwhelmingly in favour of extending the Investment Period for a year, or earlier if a commercially viable exit could be achieved.

In keeping with the mandate given by the Shareholders at the December 2018 AGM, the Directors, via LCP and LCPCI, have been monitoring the market and seeking to identify an opportunity to commence the disposal of the Fund's properties. However, the Shareholder feedback at the AGM also made it clear that this should not be an "at any cost" fire sale of the assets.

LCP has tested the market with a number of properties over the intervening period but, with buyer activity as low as detailed above, unsurprisingly there have not been any realistic and viable offers to pursue.

Whilst a post balance sheet event, in keeping with the terms of the PPM Dated March 2009, a further Special Resolution to wind-up the Fund was put forward at the AGM held on 4<sup>th</sup> December 2019. With 64.87% of the issued Shares voting at the meeting, the Special Resolution to extend for a further year received support from 98.87% of the voted Shares in light of the continuing uncertainty in the market. However, on 12<sup>th</sup> December 2019 the UK General Election saw the Conservatives returned with a significant majority. Some investors appear to be taking this as a potential point of inflexion for the market and are starting to come back in. It is hoped that this nascent recovery will enable the Fund to make more tangible strides towards realising its returns over the course of 2020.

With asset valuations only conducted for the year end in March, these Interim Accounts reflect purely the cash flow of the Fund and, as a result, the Net Asset Value per share has slipped modestly by around 1.5% from £137.47 to £135.60.

### Summary

LCP, LCPI and the Directors want to reassure the Shareholders that they are actively looking to facilitate the divestment of the Fund's assets at the earliest opportunity whilst also recognising the requirement to protect investor capital through adopting a prudent approach to divestment.

The fundamentals underpinning the portfolio remain robust and, when market sentiment reverses, it is anticipated that the Directors will be able to affect the disposal of the assets relatively quickly and in a way that optimises returns.

<sup>1</sup>LCPAca Residential Index – HM Land Registry all sales year to Sep 2019

<sup>2</sup>LCPAca Residential Index – HM Land Registry all sales year to Sep 2019 vs Jun 2009

<sup>3</sup>LCPAca Residential Index – HM Land Registry all sales year to Sep 2019 vs Avg Annual Sales Jan 1995-Jun 2009

<sup>4</sup>LCPAca Residential Index – HM Land Registry all sales

<sup>5</sup>Knight Frank Residential Research Prime London Sales Index October 2019

<sup>6</sup>Reuters



# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## INTERIM STATEMENT OF COMPREHENSIVE INCOME SIX MONTHS ENDED 30 SEPTEMBER 2019

		(Unaudited) Six months ended 30 September 2019 £	(Audited) Year ended 31 March 2019 £	(Unaudited) Six months ended 30 September 2018 £
	Note			
<b>REVENUE</b>				
Rental income	6	437,473	791,842	389,318
Bank interest		-	49	49
Gross profit		437,473	791,891	389,367
Administrative expenses	9	(91,271)	(277,292)	(158,380)
Property expenses	10	(222,268)	(399,288)	(187,523)
		(313,539)	(676,580)	(345,903)
<b>OPERATING PROFIT</b>	7	123,934	115,311	43,464
Fair value loss on investment properties	11	-	(133,891)	-
Interest expense	14	(264,640)	(527,106)	(262,704)
Profit/(Loss) on disposal of investment property		13,332	(1,784,901)	(148,532)
<b>LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	16	(127,374)	(2,330,587)	(367,772)
Earnings per share (pounds per share)	18	(1.86)	(34.12)	(5.38)

The Company has no other comprehensive income other than that shown above and therefore no additional disclosure has been made in respect of other comprehensive income.

The results are all derived from continuing operations.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Note	(Unaudited) 30 September 2019		(Audited) 31 March 2019		(Unaudited) 30 September 2018	
		£	£	£	£	£	£
<b>FIXED ASSETS</b>							
Investment properties	11		30,106,175		30,100,000		32,319,214
Furniture and fittings	12		12,125		22,060		33,835
			<u>30,118,300</u>		<u>30,122,060</u>		<u>32,353,049</u>
<b>CURRENT ASSETS</b>							
Debtors and prepayments	13	172,227		151,333		212,529	
Cash at bank		<u>78,750</u>		<u>78,750</u>		<u>80,288</u>	
		250,977		230,083		292,817	
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>							
Loan payable	14	-		-		20,545,232	
Other creditors and accruals	15	<u>905,228</u>		<u>851,214</u>		<u>748,813</u>	
		905,228		851,214		21,294,045	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<u>(654,251)</u>		<u>(621,131)</u>		<u>(21,001,228)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			29,464,049		29,500,929		11,351,821
<b>CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>							
Loan payable	14		20,202,417		20,111,923		-
<b>NET ASSETS</b>			<u>9,261,632</u>		<u>9,389,006</u>		<u>11,351,821</u>
<b>CAPITAL AND RESERVES</b>							
Called up share capital	16		685		685		685
Share premium	17		6,265,737		6,265,737		6,265,737
Retained income			<u>2,995,210</u>		<u>3,122,584</u>		<u>5,085,399</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>9,261,632</u>		<u>9,389,006</u>		<u>11,351,821</u>
Net asset value per share (pounds per share)	19		135.60		137.47		166.20

The interim financial information was approved and authorised for issue by the board on 24 January 2020 and signed on its behalf by:

**PETER GRIFFIN**

Director

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## INTERIM STATEMENT OF CHANGES IN EQUITY SIX MONTHS ENDED 30 SEPTEMBER 2019

	Share Capital £	Share Premium £	Retained Income £	Total £
Balance as at 1 April 2018	685	6,265,737	5,453,171	11,719,593
Loss for the period	-	-	(367,772)	(367,772)
<b>Balance as at 30 September 2018</b>	<b>685</b>	<b>6,265,737</b>	<b>5,085,399</b>	<b>11,351,821</b>
Balance as at 1 April 2018	685	6,265,737	5,453,171	11,719,593
Loss for the year	-	-	(2,330,587)	(2,330,587)
<b>Balance as at 31 March 2019</b>	<b>685</b>	<b>6,265,737</b>	<b>3,122,584</b>	<b>9,389,006</b>
Loss for the period	-	-	(127,374)	(127,374)
<b>Balance as at 30 September 2019</b>	<b>685</b>	<b>6,265,737</b>	<b>2,995,210</b>	<b>9,261,632</b>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## INTERIM STATEMENT OF CASH FLOWS SIX MONTHS ENDED 30 SEPTEMBER 2019

	Note	(Unaudited) Six months ended 30 September 2019 £	(Audited) Year ended 31 March 2019 £	(Unaudited) Six months ended 30 September 2018 £
<b>Operating activities</b>				
Operating profit for the period/year		123,934	115,311	43,464
Add back depreciation	12	9,935	24,194	12,419
(Increase)/decrease in operating debtors		(20,894)	27,710	(33,486)
Increase in operating creditors		54,014	632,640	530,239
Interest paid		(264,640)	(511,721)	(254,419)
<b>Net cash (used)/generated in operating activities</b>		<b>(97,651)</b>	<b>288,134</b>	<b>298,217</b>
<b>Cash flows from investing activities</b>				
Refurbishment/purchase of investment properties	11	(15,197)	(1,349,901)	(934,214)
Sale of investment properties		22,354	1,941,109	1,059,898
<b>Net cash inflow/(outflow) from investing activities</b>		<b>7,157</b>	<b>591,208</b>	<b>125,684</b>
<b>Cash flows from financing activities</b>				
Loans received/(paid)	14	90,494	(880,880)	(423,901)
<b>Net cash (used)/generated by financing activities</b>		<b>90,494</b>	<b>(880,880)</b>	<b>(423,901)</b>
<b>Net cash inflow/(outflow) for the period/year</b>		<b>-</b>	<b>(1,538)</b>	<b>-</b>
Cash at beginning of period/year		78,750	80,288	80,288
<b>Cash and cash equivalents at end of period/year</b>		<b>78,750</b>	<b>78,750</b>	<b>80,288</b>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 1. COMPANY INFORMATION

The London Central Residential Recovery Fund Limited (the "Company") is a closed ended limited liability public company which is an Unregulated Exchange Traded Fund and was incorporated in Jersey on 10 March 2009 under the Companies (Jersey) Law 1991 (as amended) and admitted to trading on The International Stock Exchange on 22 January 2010.

The objective of the Company is to carry on business as an investment company specialising in property.

The Company's registered office is CTV House, La Pouquelaye, St Helier, Jersey, JE2 3GF.

### 2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("FRS 102") 'The Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland'.

### 3. BASIS OF PREPARATION OF THE INTERIM REPORT

These financial statements have been prepared in accordance with the applicable United Kingdom accounting standards, including ('FRS102'), and with the Companies (Jersey) Law 1991 (as amended). The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for investment properties as specified in the accounting policies below.

The Company's functional and presentation currency is British Sterling (£).

### 4. GOING CONCERN

During the period the Company has made a net loss of £127,374. The Company's net rental income and access to loan facilities with Butterfield Bank (Guernsey) Limited currently finances the Company's operations. The loan facilities with Butterfield Bank (Guernsey) Limited have been replaced with a new loan facility and will expire on 31 January 2022.

The Group expects to meet its obligations from operating cash flows and upon realisation of investments in the future.

The London Central Residential Recovery Fund Limited came to the end of its defined 8-year Investment Period in May 2018. At the AGM held on 5 December 2018 the shareholders voted in favour of extending the Investment Period for a year, or earlier if a commercially viable exit could be achieved.

At the Annual General Meeting of Shareholders held on 4 December 2019 an ordinary resolution was passed to extend the Investment Period for a further year.

These financial statements are prepared on a going concern basis with a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The financial statements do not include adjustments that would arise if the Company was unable to continue as a going concern.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 5. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Property investments will be realised in an orderly manner, either as a portfolio or individually, whichever achieves the highest amount. Given the assumption that the property would be sold as a whole, or individually, the valuers have not considered it appropriate to adjust the overall value for a block discount in the event that the portfolio was sold as a whole. Equally, the valuers have ascribed no additional value to the possibility that there may be a premium achievable on the sale of an entire portfolio.

The value stated is on the basis of vacant possession. It has been assumed that in the majority of cases, vacant possession could be obtained within six months if required and that would depend upon the terms of the tenancies as they are renewed from time to time.

It has been assumed that where tenanted, properties will be disposed of in a condition suitable for marketing with the tenant having complied with repairing and dilapidations covenants.

The values stated do not account for the cost of realisation or tax.

The Market Value is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing.

The valuations have been based upon physical inspection of the premises and research of the market for sales evidence of similar properties in the immediate area. In some cases, this is based on knowledge of properties recently valued or surveyed by Adelaide Jones and in others, the opinions and evidence of local estate agents have been obtained.

As stated in the Investment Managers Report, no property revaluations have been included in these Interim Financial Statements.

### 6. ACCOUNTING POLICIES

#### (6.1) INVESTMENT PROPERTY

Initial recognition:

Investment property is property held by the Company to earn rentals, rather than for:

- i. Use in the production or supply of goods or services or for administrative purposes; or
- ii. Sale in the ordinary course of business.

At initial recognition, investment property is measured at its cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 6. ACCOUNTING POLICIES

#### (6.1) INVESTMENT PROPERTY (Continued)

Derecognition of investment property:

A property is transferred from investment property only when the property ceases to meet, the definition of investment property.

In accordance with FRS102, Section 16, Measurement After Recognition, Investment Property whose fair value can be measured reliably without undue cost or effort shall be measured at fair value at each reporting date. The Company carries out a valuation of its investment properties annually. Where an investment property is held on lease and the unexpired lease is less than 20 years, the total cost of the property is depreciated over the unexpired lease term on a straight line basis. The appointed valuer, Adelaide Jones & Co Ltd carried out an independent professional valuation on 28 June 2019.

#### (6.2) OPERATING LEASE

Operating leases relate to the investment properties owned by the company with lease terms of between 1 to 3 years, with an option to extend as may be agreed. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

#### (6.3) RENTAL INCOME

All properties are rented out under operating leases with rental income being accounted for on a straight line basis over the term of the lease.

#### (6.4) EXPENSES

Expenses are accounted for on an accrual basis.

#### (6.5) FURNITURE AND FITTINGS

Initial recognition:

The Company measures furniture and fittings at initial recognition at their cost. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Measurement after initial recognition:

The Company measures all fixtures and fittings after initial recognition using the cost model and furniture and fittings are measured at cost less accumulated depreciation and any accumulated impairment losses.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued) SIX MONTHS ENDED 30 SEPTEMBER 2019

### 6. ACCOUNTING POLICIES (continued)

#### (6.5) FURNITURE AND FITTINGS (Continued)

Depreciation of furniture and fittings is calculated on cost at a rate estimated to write off the cost of those assets by equal amounts each year over the expected useful life of those assets. The annual rate used for furniture and fittings is 20%.

Derecognition of fixtures and fittings:

The Company derecognises fixtures and fittings:

- i. On disposal; or
- ii. When no future economic benefits are expected from their use or disposal.

The Company recognises the gain or loss on the derecognition of fixtures and fittings in profit or loss when the items are derecognised. Financial assets and financial liabilities are recognised on the Company's Statement of financial position when the Company becomes a party to the contractual provisions of the instruments. The Company shall off-set financial assets and financial liabilities if the Company has a legally enforceable right to off-set the recognised amounts and interest and intends to settle on a net basis.

#### (6.6) FINANCIAL INSTRUMENTS

##### Financial Assets

The Company's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity or as available for sale. Unless otherwise indicated, the carrying amounts of the Company's financial assets are a reasonable approximation of their fair values.

##### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise principally through cash and cash equivalents, but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transactions costs that are directly attributable to the acquisition on issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial statements is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due. The amount of such a provision being the difference between the net carrying amount and present value of the future expected cash flows associated with the impaired receivable.

Cash and cash equivalents are carried at cost and consist of cash in hand and short term deposits in banks with an original maturity of three months or less.



# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued) SIX MONTHS ENDED 30 SEPTEMBER 2019

### 6. ACCOUNTING POLICIES (continued)

#### (6.6) FINANCIAL INSTRUMENTS (Continued)

##### *De-recognition of financial assets*

A financial asset (in whole or in part) is derecognised either:

- when the Company has transferred substantially all the risk and rewards of ownership; or
- when it has transferred nor retained substantially all the risk and rewards and when it no longer has control over the asset or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

##### **Financial Liabilities**

The Company's financial liabilities comprise other creditors and accruals and loans payable which are classified as financial liabilities measured at amortised cost. Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation of their fair values.

##### *Financial liabilities measured at amortised cost*

Other creditors and accruals and loans payable are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

##### *De-recognition of financial liabilities*

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on de-recognition is taken to the profit and loss account.

##### *Share capital*

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. The Company is not subject to any externally imposed capital requirement.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

### 7. REVENUE AND OPERATING PROFIT

Revenue and operating profit derive wholly from continuing activities.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 8. TAXATION

The Company resides in Jersey and is taxed at zero per cent under the zero ten regime introduced by the Income Tax (Amendment No. 28) (Jersey) Law 2007 and the Income Tax (Amendment No. 29) (Jersey) Law 2007.

The company is subject to UK Income Tax at the rate of 20% on its UK rental income less allowable management expenses. Based on the results, no liability to UK Income Tax arises for the period/year.

With effect from 1 April 2013, Non-UK resident companies may be subject to the Annual Tax on Enveloped Dwellings (ATED), and from 6 April 2013 to ATED Capital Gains Tax (ATEDCGT), in respect of UK residential property (each Single Dwelling Interest – SDI) valued at more than £2 million. The ATED regime is, from 1 April 2015, extended to UK residential properties (each SDI) of a lower value and will apply to properties with a market value of more than £1 million (and from April 2016 more than £500,000). For the purpose of the ATED the relevant valuation date is the later of 1 April 2017 and the date of acquisition.

However, relief from ATED applies where properties are let at arm's length on commercial terms, and that is the case in respect of this company. The company files annual Relief Declaration Returns (RDR) to claim the relief. Relief from ATED also extends to relief from ATEDCGT however ATEDCGT has been abolished by HMRC with effect from 6 April 2019.

With effect from 6 April 2015 the UK Capital Gains Tax (CGT) regime was extended. From that date disposals of UK residential property owned by a non-UK resident will be subject to Non Resident Capital Gains Tax (NRCGT). This has wider application than the ATEDCGT, there is no minimum value for each UK residential property and there are limited reliefs. The NRCGT regime provides that tax is payable only on the amount of gain that accrues after 5 April 2015. However, relief from this NRCGT was applicable where the non-UK resident is a company and one that is diversely owned, and that is the case in respect of this company. A NRCGT return is still required to be filed within 30 days of disposal of UK residential property.

For non resident companies the NRCGT regime is also being replaced with effect from 6 April 2019. After this date non-resident companies will be required to account for Corporation Tax (currently 19%) on gains. This includes widely held companies that meet the definition of a Collective Investment Vehicle (CIV) unless it specifically makes an exemption election. It is the intention of the board to make an exemption election such that no Corporation Tax becomes chargeable on future gains.

With effect from 6 April 2017, the UK government introduced an extension to the scope of inheritance tax to all UK residential property, whether or not this is held by a company or an individual directly. This measure does not apply to widely held companies and so does not impact investors in this company.

### 9. ADMINISTRATIVE EXPENSES

	(Unaudited) Six months ended 30 September 2019	(Audited) Year ended 31 March 2019	(Unaudited) Six months ended 30 September 2018
	£	£	£
Administration fees (Note 20)	18,750	59,000	40,250
Directors fee	12,500	25,000	12,500
Audit fees	7,675	14,000	7,000
Legal and professional fees	48,487	172,041	94,796
Insurance	3,425	6,070	3,162
Sundry expenses	219	711	372
Bank charges	215	470	300
	<u>91,271</u>	<u>277,292</u>	<u>158,380</u>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 10. PROPERTY EXPENSES

	(Unaudited) Six months ended 30 September 2019	(Audited) Year ended 31 March 2019	(Unaudited) Six months ended 30 September 2018
	£	£	£
Rates and insurance	12,162	19,443	1,410
Repairs and maintenance	39,574	102,139	49,152
Property management fees (Note 20)	92,153	148,952	71,078
Depreciation on furniture and fittings (Note 12)	9,935	24,194	12,419
Service charges	68,444	104,560	53,464
	<u>222,268</u>	<u>399,288</u>	<u>187,523</u>

### 11. INVESTMENT PROPERTIES

	Freehold investment properties	Leasehold investment properties	Total
	£	£	£
Opening balance 1 April 2019	14,075,000	16,025,000	30,100,000
Property refurbishment expenditure	14,870	327	15,197
Disposal of freehold	-	(9,022)	(9,022)
Closing balance 30 September 2019	<u>14,089,870</u>	<u>16,016,305</u>	<u>30,106,175</u>

	Freehold investment properties	Leasehold investment properties	Total
	£	£	£
Opening balance 1 April 2018	14,690,000	17,920,000	32,610,000
Sale of properties	(1,225,000)	(850,000)	(2,075,000)
Property refurbishment expenditure	1,328,092	21,809	1,349,901
Revaluation	(718,092)	(1,066,809)	(1,784,901)
Closing balance 31 March 2019	<u>14,075,000</u>	<u>16,025,000</u>	<u>30,100,000</u>

	Freehold investment properties	Leasehold investment properties	Total
	£	£	£
Opening balance 1 April 2018	14,690,000	17,920,000	32,610,000
Sale of properties	-	(1,225,000)	(1,225,000)
Property refurbishment expenditure	920,052	14,162	934,214
Closing balance 30 September 2018	<u>15,610,052</u>	<u>16,709,162</u>	<u>32,319,214</u>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued) SIX MONTHS ENDED 30 SEPTEMBER 2019

### 11. INVESTMENT PROPERTIES (Continued)

At 30 September 2019 there was a legal charge registered over all of the company's 24 investment properties as security for its bank borrowings (note 14). In accordance with FRS102, Section 16, Measurement after Recognition the Directors have based their assessment of open market value of the investment properties included in these financial statements on the independent professional valuation carried out by Adelaide Jones & Co Ltd acting as an external valuer, as at 28 June 2019. 18 of the investment properties are leasehold all with remaining terms in excess of 20 years. Of the 6 freehold properties, 4 are long leaseholds where the company also holds a share in the freehold owning company. Accordingly these have been classified by the Directors as freehold. The historical cost of the properties is £24,960,596.

### 12. FURNITURE AND FITTINGS

	(Unaudited) 30 September 2019 £	(Audited) 31 March 2019 £	(Unaudited) 30 September 2018 £
COST			
Brought forward	585,021	585,021	585,021
Acquisition	-	-	-
Carried forward	<u>585,021</u>	<u>585,021</u>	<u>585,021</u>
ACCUMULATED DEPRECIATION			
Brought forward	(562,961)	(538,767)	(538,767)
Charge for the period/year	(9,935)	(24,194)	(12,419)
Carried forward	<u>(572,896)</u>	<u>(562,961)</u>	<u>(551,186)</u>
CLOSING NET BOOK VALUE	<u>12,125</u>	<u>22,060</u>	<u>33,835</u>

### 13. DEBTORS AND PREPAYMENTS

	(Unaudited) 30 September 2019 £	(Audited) 31 March 2019 £	(Unaudited) 30 September 2018 £
Prepayments	4,294	11,733	3,877
Rent receivable from Property Manager	68,625	97,589	43,509
Cash floats held by Property Manager *	83,618	26,321	145,988
Service charge deposits	<u>15,690</u>	<u>15,690</u>	<u>19,155</u>
	<u>172,227</u>	<u>151,333</u>	<u>212,529</u>

\* This represents cash-floats retained by the Property Manager to cover sundry costs for each property as they arise. In addition to these cash balances the Property Manager holds in escrow as at 30 September 2019, tenant rent deposits amounting to £105,694 (31 March 2019: £105,694 September 2018: £85,486). These deposits are held as security for the tenants' performance under the tenancy agreements and have not been included in these financial statements as the Company has no right to these funds unless and until there is any default by any tenant under their tenancy agreement. There have been no defaults during the period (31 March 2019: nil, 30 September 2018: nil).

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 14. LOANS PAYABLE

	(Unaudited) 30 September 2019 £	(Audited) 31 March 2019 £	(Unaudited) 30 September 2018 £
Amounts falling due within 1 year			
Butterfield Bank (Guernsey) Limited	-	-	-
Amounts falling due after more than 1 year			
Butterfield Bank (Guernsey) Limited	20,202,417	20,111,923	20,553,517
Unamortised finance cost	-	-	(8,285)
	<u>20,202,417</u>	<u>20,111,923</u>	<u>20,545,232</u>

The existing loans (detailed below) from Butterfield Bank (Guernsey) Limited (the "Bank") were consolidated and extended under a facility letter dated 21 January 2019. This facility was replaced by another facility letter dated 21 November 2019. The current facility offered by the Bank to the Company is a maximum loan amount of £20,366,000 (exclusive of fees) for a period of 2 years, with a final repayment date of 31 January 2022. The facility is secured by a first charge over the Company's property portfolio. Interest is charged on the Mortgage Facility at the sum of the Bank's Base Rate plus 2.75% per annum.

The above facility replaces the loan facility dated 12 March 2009 for the loan amount of £12,600,000, the loan facility dated 11 August 2014 for the loan amount of £4,500,000 and loan facility dated 7 July 2016 for the loan amount of £4,600,000 all of which were extended to 31 January 2019.

The costs associated with establishing the bank facility are amortised over the life of the facility. Interest expense for the current period was £264,640 (31 March 2019: £527,106; 30 September 2018: £262,704).

### 15. OTHER CREDITORS AND ACCRUALS

	(Unaudited) 30 September 2019 £	(Audited) 31 March 2019 £	(Unaudited) 30 September 2018 £
<b>Amounts falling due within one year:</b>			
Provision for audit fee	14,675	14,000	7,000
Administration fees	9,125	9,375	25,875
Directors fee	6,250	-	6,250
Other creditors	30,778	45,573	29,122
Legal and professional fees	106,905	95,988	61,547
Deferred income	138,730	98,923	74,477
Refurbishment 3 Spring Street	598,765	587,355	544,542
	<u>905,228</u>	<u>851,214</u>	<u>748,813</u>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 16. SHARE CAPITAL

	(Unaudited) 30 September 2019	(Audited) 31 March 2019	(Unaudited) 30 September 2018
	£	£	£
<b>Authorised</b>			
4,990,000 Ordinary Shares of £0.01 each	49,900	49,900	49,900
100 Founder Shares of £1 each	100	100	100
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<b>Issued and fully paid</b>			
68,301.05 Ordinary Shares of £0.01 each	683	683	683
2 Founder Shares of £1 each	2	2	2
	<u>685</u>	<u>685</u>	<u>685</u>

#### Founder Shares

Holders of Founder Shares are not entitled to any dividends and do not have the right to receive notice of, attend, speak and vote at general meetings unless and until no Ordinary Shares are in issue. The Founder Shares may not be redeemed by the Company.

#### Ordinary Shares

Holders of Ordinary Shares are entitled pari-passu to such dividends as the Directors may in their absolute discretion lawfully determine and declare and have the right to receive notice of, attend, speak and vote at general meetings of the Company. Subject to the provisions of the Companies (Jersey) Law, 1991 and the Company's Memorandum and Articles of Association, holders of Ordinary Shares may be redeemed by the Company. The Ordinary Shares may not be redeemed at the option of the holder.

### 17. SHARE PREMIUM

	(Unaudited) 30 September 2019	(Audited) 31 March 2019	(Unaudited) 30 September 2018
	£	£	£
68,301.05 Ordinary Shares issued at a premium of £99.99 each	6,829,422	6,829,422	6,829,422
Less: Introducers commission and share issue costs	(563,685)	(563,685)	(563,685)
As at the reporting date	<u>6,265,737</u>	<u>6,265,737</u>	<u>6,265,737</u>

### 18. EARNINGS PER SHARE

The calculation of earnings per share is based on the loss for the period of £127,374 (31 March 2019: £2,330,587 loss, 30 September 2018: £367,772 loss) divided by the weighted average number of Ordinary Shares in issue during the period of 68,301.05 (31 March 2019: 68,301.05, 30 September 2018: 68,301.05).

### 19. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of £9,261,632 (31 March 2019: £9,389,006, 30 September 2018: £11,351,821) and on the Ordinary Shares in issue of 68,301.05 (31 March 2019: 68,301.05, 30 September 2018: 68,301.05) at the Statement of Financial Position date.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 20. RELATED PARTY TRANSACTIONS

Intertrust Fund Services (Guernsey) Limited are engaged by the Company as administrator pursuant to an Administration Agreement. The Agreement provides that Intertrust Fund Services (Guernsey) Limited will receive fees on a time cost basis, subject to a minimum charge of £37,500 per annum, with respect to administration services. A total of £18,750 (31 March 2019: £59,000; 30 September 2018: £40,250) has been included in these accounts in respect of fees charged in accordance with this Agreement and £9,125 (31 March 2019: £9,375; 30 September 2018: £25,875) was outstanding at the Statement of Financial Position date.

The Company has appointed LCP Capital Investments Limited ("LCPCI") as Investment Advisor and Property Manager. Naomi Heaton is the Chief Executive Officer of London Central Portfolio Limited. A brief summary of the relevant contracts are as follows. All fees are subject to UK VAT.

#### Investment Advisory

LCP receives an acquisition fee of 2% of the price paid for each property acquired by the Company.

During the period no property acquisition fees were incurred, (31 March 2019: £nil, 30 September 2018 £nil).

The Performance Benchmark Objective is 15% IRR (i.e. 15% per annum compound growth on the investors' initial subscription). This takes into account all up-front fees, establishment and purchase costs, but is net of disposal expenditure.

In the event that the Performance Benchmark Objective is achieved at the end of the Investment Period, LCP will be awarded a performance fee up to a ceiling of 25% of the Company's profits, subject to the investors receiving a profit in the first instance equivalent to the Performance Benchmark Objective.

No provision has been made in these accounts, in respect of the performance fee as the Directors do not consider that the Performance Benchmark Objective will be achieved.

#### Property Refurbishment and Furnishing

LCP receive a fee of 10% of the refurbishment expenditure in respect of design specification and sourcing of contractor together and a fee of 15% of the furnishing and refurbishment expenditure for the project management of the works and interior design.

During the period property refurbishment and furnishing expenditure amounted to £15,197 (inclusive of VAT) (31 March 2019: £1,349,901, 30 September 2018: £934,214) with £598,765 (31 March 2019: £587,355, 30 September 2018: £544,542;) outstanding at the year end.

#### Property Management

LCP receives a fee of 15% of gross rent received for each property. LCP also receives sundry additional fees for administration services on a 10% of cost basis. £92,153 (inclusive of VAT) (31 March 2019: £148,952, 30 September 2018: £71,078) has been included in these accounts in relation to these fees. LCP also receives annual fees in relation to ongoing running costs of the fund. During the period £37,500 (inclusive of VAT) (31 March 2019: £75,000, 30 September 2018: £37,500;) was charged in relation to these fees with £94,531 outstanding at the period end. A more detailed summary of these contracts is included in the Company's Prospectus.

G B Trustees Limited as Trustee of the London Central Residential Recovery Fund Purpose Trust holds two founder shares in the Company. The Company pays an annual Trustee fee of £1,500 plus a disbursement of £60 to G B Trustees Ltd.

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 21. CONTROLLING PARTY

The issued share capital of the Company is owned by numerous parties and, therefore, in the opinion of the Directors, there is no ultimate controlling party of the Company as defined by FRS102, Section 33, Related Party Disclosures.

### 22. FINANCIAL RISK MANAGEMENT

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

#### Categories of financial instruments and fair values

The following table details the categories of financial assets and financial liabilities held by the Company at the reporting date:

	(Unaudited) 30 September 2019	(Audited) 31 March 2019	(Unaudited) 30 September 2018
	£	£	£
<b>Cash and receivables</b>			
Cash at bank	78,750	78,750	80,288
Debtors	167,933	139,600	208,652
	<u>246,683</u>	<u>218,350</u>	<u>288,940</u>
<b>Financial liabilities at amortised cost</b>			
Creditors and accruals	766,498	752,291	674,336
Loans payable	20,202,417	20,111,923	20,545,232
	<u>20,968,915</u>	<u>20,864,214</u>	<u>21,219,568</u>

#### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Whilst the Company's principal market risk is exposure to London residential property prices, market risk comprises of three types of risk: market prices (price risk), foreign exchange (currency risk) and market interest rates (interest rate risk).

The Company operates in the UK and its investments are denominated in pounds sterling therefore the Directors are satisfied that the Company's exposure to foreign exchange risk is relatively low.

The Company is exposed to interest rate risk however it is not exposed to price risk as all of its investments are in non-financial assets. The Company's interest bearing financial assets and liabilities expose it to risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks.



# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 22. FINANCIAL RISK MANAGEMENT (Continued)

As at 30 September 2019	Non-Interest Bearing	Variable Interest	Fixed Interest	Total
Assets	£	£	£	£
Cash at bank	-	78,750	-	78,750
Debtors	167,933	-	-	167,933
<b>Total financial assets</b>	<b>167,933</b>	<b>78,750</b>	<b>-</b>	<b>246,683</b>

Liabilities				
Loan payable	-	20,202,417	-	20,202,417
Creditors and accruals	766,498	-	-	766,498
<b>Total financial liabilities</b>	<b>766,498</b>	<b>20,202,417</b>	<b>-</b>	<b>20,968,915</b>

As at 31 March 2019	Non-Interest Bearing	Variable Interest	Fixed Interest	Total
Assets	£	£	£	£
Cash at bank	-	78,750	-	78,750
Debtors	139,600	-	-	139,600
<b>Total financial assets</b>	<b>139,600</b>	<b>78,750</b>	<b>-</b>	<b>218,350</b>

Liabilities				
Loan payable	-	20,111,923	-	20,111,923
Other creditors and accruals	752,291	-	-	752,291
<b>Total financial liabilities</b>	<b>752,291</b>	<b>20,111,923</b>	<b>-</b>	<b>20,864,214</b>

As at 30 September 2018	Non-Interest Bearing	Variable Interest	Fixed Interest	Total
Assets	£	£	£	£
Cash at bank	-	80,288	-	80,288
Debtors	208,652	-	-	208,652
<b>Total financial assets</b>	<b>208,652</b>	<b>80,288</b>	<b>-</b>	<b>288,940</b>

Liabilities	Non-Interest Bearing	Variable Interest	Fixed Interest	Total
	£	£	£	£
Loan payable	-	20,545,232	-	20,545,232
Other creditors and accruals	674,336	-	-	674,336
<b>Total financial liabilities</b>	<b>674,336</b>	<b>20,545,232</b>	<b>-</b>	<b>21,219,568</b>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 22. FINANCIAL RISK MANAGEMENT (Continued)

Total interest expense on financial liabilities not at fair value through profit and loss.

	(Unaudited) 30 September 2018	(Audited) 31 March 2019	(Unaudited) 30 September 2018
	£	£	£
Loan interest paid	264,640	527,106	262,704
	<u>264,640</u>	<u>527,106</u>	<u>262,704</u>

The above interest expense arises on financial liabilities measured at amortised cost using the effective interest rate method.

For the Company, an increase in 100 basis points in interest rates, with all other variables remaining constant, would result in a loss of £201,237 (31 March 2019: loss of £200,332; 30 September 2018: £204,649). A decrease in 100 basis points in interest rates, with all other variables remaining constant, would have an equal but opposite effect.

The sensitivity analyses above are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values.

#### (b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets and ensuring the availability of funding through an adequate amount of committed credit facilities.

The Company's current policy concerning the payment of creditors is to:

- (a) agree the terms of payment with those suppliers when negotiating the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms
- (c) pay in accordance with the Company's contractual and other legal obligations.

The table below details the contractual, undiscounted cash flows of the Company's financial liabilities.

As at 30 September 2019	Less than 3 month £	3 months to 1 year £	1 year to 5 years £
Loan payable	129,462	388,386	20,720,265
Creditors and accruals	766,498	-	-
Total	<u>895,960</u>	<u>388,386</u>	<u>20,720,265</u>

  

As at 31 March 2019	Less than 3 month £	3 months to 1 year £	1 year to 5 years £
Loan payable	76,298	243,893	20,366,248
Creditors and accruals	752,291	-	-
Total	<u>828,589</u>	<u>243,893</u>	<u>20,366,248</u>

# THE LONDON CENTRAL RESIDENTIAL RECOVERY FUND LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

SIX MONTHS ENDED 30 SEPTEMBER 2019

### 22. FINANCIAL RISK MANAGEMENT (continued)

As at 30 September 2018	Less than 3 month £	3 months to 1 year £	1 year to 5 years £
Loan payable	133,475	21,613,032	
Creditors and accruals	674,336	-	-
Total	807,811	21,613,032	-

As at the Statement of Financial Position date, the Company had undrawn committed borrowings available of £163,583 (31 March 2019: £166,077; 30 September 2018: £621,279).

The Board of Directors manages the risk of breaches in debt covenants by regularly reviewing the level of debt in conjunction with property values. The review is carried out on a quarterly basis.

#### (c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment entered into with the Company. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date.

Principal counterparties are LCP as Property Manager and Butterfield Bank (Guernsey) Limited as Bankers. The financial position of LCP and the credit rating of Butterfield are considered by the Board annually or sooner in the event of any cause for concern.

Butterfield Bank (Guernsey) Limited is a reputable financial institution and has a long term credit rating of A according to S&P.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	(Unaudited) 30 September 2019 £	(Audited) 31 March 2019 £	(Unaudited) 30 September 2018 £
Cash and cash equivalents	78,750	78,750	80,228
Rent receivable from Property Manager (note 13)	68,625	97,589	43,509
Cash floats held by Property Manager (note 13)	83,618	26,321	145,988
Service charge deposits (note 13)	15,690	15,690	19,155
Total	246,683	218,350	288,880

### 23. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 24. SUBSEQUENT EVENTS

There were no subsequent events.