14-16 Hans Road · London SW3 1RT · Tel +44 (0) 20 7581 1477 · www.hanoveracceptances.com
Hanover Acceptances Limited

Company Registration No. 01063495

Hanover Acceptances Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Hanover Acceptances Limited

Annual Report and Financial Statements 2019

Contents

Hanover Acceptances Limited

Officers and professional advisers

Chairman

M S Gorvy BCom FCA

Directors

L R Gorvy
S Gorvy BA (Hons) PhD (Cantab)
J Groβmann Dipl.-Ing. M.Sc.I.A PhD *
A J Leibowitz BSc MSc FRICS
T Moross BA BSc (Est Man) FRICS
C J Sheridan FCIB MSI*
E I Walker-Arnott QC, LLM (Lond)*
(* Non -executive)

Company Secretary

Hanover Management Services Limited

Registered Office

16 Hans Road
London
SW3 IRT

Bankers

Aviva Commercial Finance Limited
Bank of Ireland
Barclays Bank PLC
HSBC Bank plc
Nationwide Building Society
The Royal Bank of Scotland plc

Solicitor

Herbert Smith Freehills LLP

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Hanover Acceptances Limited

Strategic report

Business review and principal activities

Hanover Acceptances Limited (the 'Company') and its subsidiaries (the 'Group') are engaged in property investment, development and trading in the UK and venture capital investment.

The subsidiary undertakings are listed in note 29.

We report on another successful year for the Group.

Our operating profit for the year was £50.3m up from £3.1m in the previous year. This significant variance is accounted for by an increase in the mark to market movement on the property investment portfolio.

The profit for the year before taxation was £30.0m compared with a loss of £14.3m in the previous year. The significant variance is for the reasons stated above.

Property

We are pleased to report an acceptable financial performance. Turnover from rents and property sales was just ahead of the previous year at £69.4m. Net rental income was £35.0m compared to £31.3m in 2018.

The uncertainty caused by the political and economic climate for most of 2019 had a negative impact on the housing market in London and the South of England. By the end of the year there were signs that values were starting to recover, although with a limited number of transactions. Despite this, the residential portfolio has seen a minor improvement in values. In the commercial office market rental values remain strong and supply remains scarce. There are very few transactions and anything which does emerge is very fully priced. Our trading performance and our investment income remain strong and our interest cover remains comfortable and overall the business has produced acceptable results.

Venture Capital

The venture capital arm, Fresh Capital Group, did not make any investments during the year.

Adjusted net assets

The statutory shareholders' funds for the financial year was £643.6m (2018: £626.4m). The value of the stock of trading and development properties was, in the opinion of the directors, £329.5m (2018 £338.4m) which exceeds the amount at which it is reflected in the financial statements by £204.1m (2018: £219.5m). Taking these valuations into account, and before any adjustment for taxation, the adjusted net assets of the Group at 31 December 2019 were £847.7m (2018: £845.9m), a decrease of 0.21% (2018: decrease 5.8%) on the prior year.

Principal risks and uncertainties

Liquidity risk

The Group's main financial objective is to create shareholder value through a diversified real estate portfolio, maximising its returns against strict investment criteria. Liquidity and cash flow are managed through external bank financing.

The Group refinanced all loans due for repayment during the year on acceptable terms.

The Group constantly monitors its banking covenants position to ensure compliance. We believe that our gearing is comfortable and our security structure is strong relative to the size of our portfolio.

Principal risks and uncertainties (continued)

Property valuations

The cyclical nature of the property market raises the risk of variations in the value of our portfolio. Despite the 2019 valuations remaining flat, there is the risk of valuation corrections in future years. We believe that this risk is mitigated by our robust and defensive portfolio, located primarily in London and the South of England. We have a strong and sustainable income flow, with acceptable future expenditure commitments. We will continue to mitigate our exposure to market risk through a balanced approach to asset selection and cautious decision-making relating to revenue streams and capital growth.

Interest rates

Derivative financial instruments are used by the Group to manage exposure to fluctuations in interest rates, but are not employed for speculative purposes. Interest rate management is carried out by means of a combination of interest rate swaps and financial collars used to provide a degree of certainty over future interest rate costs.

Tenant default

The significant risk to cash flow in property investment is the loss of rental income. The nature of the portfolio is such that this income is derived from a large and diverse tenant base thereby reducing risk. In addition, the exposure and control over potential bad debts is managed in the residential portfolio through intensive asset and property management and by careful vetting of potential tenants; and in the commercial portfolio through close contact with our occupiers, attention to customer service and early warnings of potential problems.

Property investments

Detailed financial appraisals are conducted for all significant acquisitions and disposals. A full due diligence review is carried out prior to all asset acquisitions, including relevant corporate due diligence where assets are acquired through separate corporate entities.

Additional details relating to the financial risk management policy and financial instruments used by the Group are set out in notes 19 and 20 to the financial statements.

Future developments

The company will continue to invest in commercial and residential real estate when the right opportunities arise. It is anticipated that the general level of activity should remain consistent with 2019.

Section 172 (1) statement – Engaging with stakeholders

The success of our business is dependent on the support of all of our stakeholders. Building positive relationships with stakeholders is important to us, and working together towards shared goals assists us in delivering long-term sustainable success.

Shareholders

As owners of our Group we rely on the support of shareholders and their opinions are important to us. We have an open dialogue with our shareholders through one-to-one meetings.

Discussions with shareholders cover a wide range of topics including financial performance, strategy and outlook.

Colleagues

Our people are key to our success and we want them to be successful individually and as a team. Key areas of focus include well-being, and training opportunities.

Customers

Our ambition is to deliver best-in-class service to our commercial and residential tenants. We utilise surveys with residential tenants to understand their needs and views and listen to how we can improve our offer and service for them. We use this knowledge to inform our decision-making.

Suppliers

We build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. The Board recognises that relationships with suppliers are integral to the business's long-term success and is briefed on supplier feedback and issues on a regular basis.

Strategic report (continued)

Section 172 (1) statement – Engaging with stakeholders (continued)

Communities

We partner with The Woodland Trust. Directors and colleagues are encouraged to be Trustees of not for profit organisations.

Government and regulators

We engage with Local Authorities and regulators through a range of industry consultations, forums, and conferences to communicate our views to policy makers relevant to our business. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

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

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

26 June 2020

Directors' report (continued)

The directors present their annual report and the audited financial statements for the year ended 31 December 2019. This should be read in conjunction with the Strategic Report on pages 2-3.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2 and 3 and form part of these accounts by cross-reference.

Going concern

At the date of signing the accounts, while the restrictions imposed by the UK Government following the Covid-19 pandemic are easing, the impact remains widespread. Our office portfolio remains partially occupied and our residential portfolio has remained largely unaffected. We have quickly and successfully transitioned to working from home and have not encountered any issues in this regard.

The directors have assessed the impact of the current uncertainty around COVID-19 on all aspects of the business, focussing specifically on operations and cash flows of the group. The assessment of the ability of the group to continue as a going concern has been undertaken having regard to these circumstances and management have undertaken stress-testing of forecasts and have also completed a reverse stress test.

This stress-testing included assessing the levels of cash and available finance within the group assuming a very significant reduction in turnover on the basis of reduced sales of trading stock, customer default or payment plans, reduced lettings and increased vacations at break and expiry. This has been offset by a review and deferment in uncommitted capital expenditure, where necessary.

The directors have also considered the ongoing availability of finance by modelling the impact on loan covenants of reduced income and significant decreases in valuations of properties. Even considering reasonably likely downside scenarios, there are no covenant breaches forecast. The reverse stress test reflects the fact that trading sales and rental income would need to decline significantly, which has not been the group's experience to date.

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

Financial risk management objectives and policies

The Group'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, which provide principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group uses interest rate swap contracts to hedge the interest rate exposure risk. The Group's activities expose it primarily to the financial risks of changes in and interest rates.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Hanover Acceptances Limited

Directors' report (continued)

Further details regarding liquidity risk can be found in the statement of accounting policies in note 1 to the financial statements.

Dividends and retained profit

An interim dividend of £1.6m was declared in 2019 (0.15p per ordinary shares) and paid immediately after the year end (2018:£9.9m). No final dividend in respect of the year 2019 was declared (2018: £17.5m). The retained profit for the year is £17.6m (2018: loss £11.5m).

Directors

The present directors are listed on page 1. All directors served throughout the year.

Directors' indemnities

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

Charitable donations

Donations to UK charities amounted to £21,000 (2018: £35,000).

Disclosure of information to auditor

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

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

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

Auditor

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

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

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

26 June 2020

Hanover Acceptances Limited

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal control

The directors are responsible for the systems of internal control throughout the Group which are designed to provide reasonable, although not absolute, assurance against material misstatement or loss.

The Group exercises control with a clearly defined responsibility and reporting structure, and the internal systems are designed to meet the particular needs of each business. Management reviews these systems regularly.

The Group operates a comprehensive budgeting and financial reporting system with quarterly monitoring and reporting of actual results against targets.

Forecasts for profits and cash requirements are updated on a regular basis. The cash forecast is used to ensure that the Group has adequate funds to implement its strategy.

The directors continually review Group strategy, capital expenditure and treasury operations.

Environment and health and safety

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment in relation to energy efficiency and waste, and designs and implements policies to reduce any damage that might be caused by its activities.

Opportunities to improve our energy use efficiency are being investigated and changes will be implemented where appropriate. The Group is committed to achieving high standards of health and safety through diligent management and where necessary the use of external consultants.

Hanover Acceptances Limited

Directors' responsibilities statement (continued)

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Efforts are made by the group to consider the wishes of all interested parties when decisions are made on matters concerning employees. We encourage involvement of all employees in group performance through a structured system of team briefings and communication. Employees are aware of the financial and economic factors affecting the group's performance through the above mentioned processes.

The Group has a whistle-blowing policy in place.

Hanover Acceptances Limited

Independent Auditor's Report to the Members of Hanover Acceptances Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Hanover Acceptances Limited (the 'parent company') and its subsidiaries (the 'group'):

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

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 30.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Hanover Acceptances Limited (continued)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Hanover Acceptances Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

S. Tubridy

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

26 June 2020

Hanover Acceptances Limited

Consolidated Profit and Loss account
For the year ended 31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Turnover	3		69,388		65,961
Cost of sales			(5,558)		(6,570)
Gross profit			63,830		59,391
Net operating expenses	3		(32,101)		(37,992)
			31,729		21,399
Unrealised gains/(losses) on revaluation of investment properties	13	17,907		(20,550)	
Unrealised gains on revaluation of investment in joint venture	14	-		149	
			17,907		(20,401)
Profit on sale of tangible fixed assets					
Group	4	684		2,345	
Share of joint venture	4	-		18	
			684		2,363
Loss on sale of fixed asset investments	5		-		(226)
Operating profit	8		50,320		3,135
Share of joint ventures' operating profit	14		-		724
Finance costs (net)	9		(20,278)		(18,198)
Profit/(loss) before taxation			30,042		(14,339)
Tax on profit/(loss)	10		(12,405)		2,876
Profit/(loss) for the financial year			17,637		(11,463)

Hanover Acceptances Limited

Consolidated statement of comprehensive income
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Profit/(loss) for the financial year		17,637	(11,463)
(Losses)/gains arising during the year on cash flow hedges	20	(818)	4,249
Reversal of valuation adjustment to cash flow hedges on acquisition of remaining joint venture shares	14	168	(168)
Movements re historic swap cancellations		1,258	1,258
Remeasurement of net defined benefit liability	26	545	370
Tax relating to components of comprehensive income		82	(999)
Total comprehensive income/(expense) for the year		18,872	(6,753)

Hanover Acceptances Limited

Consolidated balance sheet
As at 31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Tangible assets	13		1,039,096		1,014,584
Investments in associates	14	14		14	
Other investments	14	2,068		2,172	
			2,082		2,186
			1,041,178		1,016,770
Current assets					
Stocks	15	125,378		118,876	
Debtors due within one year	16	9,842		9,882	
Debtors due after one year	16	7,811		7,318	
Cash at bank and in hand		12,284		10,966	
		155,315		147,042	
Creditors: amounts falling due within one year	17	(20,133)		(169,898)	
Net current assets/(liabilities)			135,182		(22,856)
Total assets less current liabilities			1,176,360		993,914
Creditors: amounts falling due after one year	17		(464,447)		(307,631)
Provisions for liabilities	18		(68,319)		(59,911)
Net assets			643,594		626,372

Hanover Acceptances Limited

Consolidated balance sheet (continued)
As at 31 December 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Capital and reserves					
Called up share capital	21		1,100		1,100
Share premium	21		100		100
Hedging reserve	21		(10,579)		(11,373)
Other reserves	21		94		94
Profit and loss account	21		652,879		636,451
Shareholders' funds			643,594		626,372

The financial statements of Hanover Acceptances Limited, Company Registration No. 01063495 were approved by the Board of Directors and authorised for issue on 26 June 2020.

Signed on behalf of the Board of Directors:

M S Gorvy
Director

A J Leibowitz
Director

Hanover Acceptances Limited

Company balance sheet
As at 31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible assets	13		54		
Investments	14		131,656		131,656
Current assets					
Debtors due within one year	16	330		-	
Debtors due after one year	16	47,272		84,528	
Cash at bank and in hand		3		3	
		47,605		84,531	
Creditors: amounts falling due within one year	17	(3,694)		(31,551)	
Net current assets			43,911		52,980
Total assets less current liabilities			175,621		184,636
Creditors: amounts falling due after one year	17		(27,468)		(34,640)
Provision for liabilities	18		(5,193)		(6,323)
Net assets			142,960		143,673
Capital and reserves					
Called up share capital	21		1,100		1,100
Share premium account	21		100		100
Profit and loss account	21		141,760		142,473
Shareholders' funds			142,960		143,673

The profit for the financial year dealt with in the financial statements of the parent Company was £0.5m (2018: £56m).

The financial statements of Hanover Acceptances Limited, Company Registration No. 01063495) were approved by the Board of Directors and authorised for issue on 26 June 2020.

Signed on behalf of the Board of Directors:

M S Gorty
Director

A J Leibowitz
Director

Hanover Acceptances Limited

Consolidated statement of changes in equity
For the year ended 31 December 2019

	Note	Called up share capital	Share Premium	Other reserves	Hedging reserves	Profit and loss account	Total
		£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018		1,100	100	94	(15,776)	675,033	660,551
Profit for the financial year		-	-	-	-	(11,463)	(11,463)
Gains on fair value of cash flow hedges		-	-	-	4,249	-	4,249
Joint venture 50% share of hedges		-	-	-	(168)	-	(168)
Movements re swap cancellations		-	-	-	1,258	-	1,258
Remeasurement of net defined benefit pension scheme	26	-	-	-	-	370	370
Tax relating to items of other comprehensive income		-	-	-	(936)	(63)	(999)
Total comprehensive income/(expense)		-	-	-	4,403	(11,156)	(6,753)
Dividends		-	-	-	-	(27,426)	(27,426)
At 31 December 2018		1,100	100	94	(11,373)	636,451	626,372
Profit for the financial year		-	-	-	-	17,637	17,637
Gains on fair value of cash flow hedges		-	-	-	(818)	-	(818)
Movements re swap cancellations		-	-	-	1,258	-	1,258
Joint venture 50% share of hedges		-	-	-	168	-	168
Remeasurement of net defined benefit pension scheme	26	-	-	-	-	545	545
Tax relating to items of other comprehensive income		-	-	-	186	(104)	82
Total comprehensive income		-	-	-	794	18,078	18,872
Dividends		-	-	-	-	(1,650)	(1,650)
At 31 December 2019		1,100	100	94	(10,579)	652,879	643,594

Hanover Acceptances Limited

Company statement of changes in equity
For the year ended 31 December 2019

	Note	Called up Share Capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2018		1,100	100	113,544	114,744
Profit for the financial year		-	-	56,048	56,048
Remeasurement of net defined benefit pension scheme	26	-	-	370	370
Tax relating to items of other comprehensive income		-	-	(63)	(63)
Total comprehensive income		-	-	56,355	56,355
Dividends		-	-	(27,426)	(27,426)
At 31 December 2018		1,100	100	142,473	143,673
Profit for the financial year		-	-	496	496
Remeasurement of net defined benefit pension scheme	26	-	-	545	545
Tax relating to items of other comprehensive income		-	-	(104)	(104)
Total comprehensive income		-	-	937	937
Dividends		-	-	(1,650)	(1,650)
At 31 December 2019		1,100	100	141,760	142,960

Hanover Acceptances Limited

Consolidated cash flow statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash flows from operating activities	22	12,401	35,391
Cash flows from investing and servicing of finance activities			
Proceeds from sale of tangible fixed assets		11,795	46,700
Proceeds from sale of fixed asset investments		-	115,331
Purchase of tangible fixed assets		(17,843)	(241,386)
Purchase of fixed asset investment		(40)	-
Interest received		112	134
Interest paid		(17,888)	(17,394)
Net cash flows from investing activities		(23,864)	(96,615)
Cash flows from financing activities			
Dividends paid		(27,426)	(7,800)
Debt due within one year:			
Loans repaid		(182,000)	(40,000)
New loans		-	52,000
Debt due after one year:			
Loans repaid		(80,000)	(44,787)
New loans		304,132	109,926
Net cash flows from financing activities		14,706	69,339
Taxation – UK		(2,024)	(7,483)
Increase in cash in the year		1,219	632
Cash and cash equivalents at the beginning of the year		9,991	4,582
Cash on acquisition of shares in subsidiary		-	4,777
Cash and cash equivalents at the end of the year	24	11,210	9,991

1. Accounting policies

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

Statutory information

Hanover Acceptances Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006, and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report on pages 2 to 3.

Accounting convention

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

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

Hanover Acceptances Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to the disclosure of financial instruments, remuneration of key management personnel, and related party transactions.

Going concern

After making enquiries, the directors believe that the group has adequate resources to continue in operational existence for at least twelve months from the approval date of these financial statements.

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

Basis of consolidation

The consolidated financial statements incorporate the accounts of the company and its subsidiary undertakings drawn up to 31 December each year. The results of the subsidiary undertakings acquired during the year are included from the date of acquisition and those sold until the date of disposal.

Turnover

Turnover excludes value added tax (where applicable) and represents sales of trading and development properties, the invoiced value of the sales of goods, fees and rents receivable. Profits or losses on sales of properties are taken into account on the unconditional completion of contracts for disposal.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Hanover Acceptances Limited

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

1. **Accounting policies (continued)**

Dividend and interest revenue

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

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

Intangible fixed assets

Goodwill and negative goodwill

Goodwill arising on acquisitions completed on or after 1 January 1999 is capitalised and amortised to the profit and loss account over the lesser of its useful economic life or 20 years. Goodwill arising on acquisitions completed prior to 1 January 1999 has been written off directly to the profit and loss reserve.

Negative goodwill arising on acquisitions, representing the excess of the fair value of identifiable assets and liabilities acquired over the fair consideration given, is included in the balance sheet and credited to the profit and loss account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale. If an acquired business is subsequently sold, any goodwill relating to it which has not previously been dealt with in the profit and loss account is taken into account in calculating the profit or loss on disposal of the business.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets other than investment properties, certain Group occupied buildings and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Freehold buildings	Over 40 years
Plant and machinery	3 -10 years
Office and other equipment	5 years
Motor vehicles	2 - 4 years

Investment properties

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

Stocks

Trading properties, which are held as stock, are valued at the lower of cost and net realisable value. Deficits against cost are charged to cost of sales in the profit and loss account.

Pension scheme

The Group is a member of the Hanover Acceptances Group Pension Scheme, which is a defined benefit scheme covering certain employees. For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the year and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are

1. Accounting policies (continued)

Pension scheme (continued)

measured on an actuarial basis. The actuarial valuations are obtained every year and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. All differences are taken to the profit and loss account. Transactions in foreign currencies are recorded at the rates ruling at the date of transaction or, if hedged, at the forward contract rate. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Differences arising from the translation of the opening net investment in overseas subsidiaries and associated undertakings at the closing rate are taken direct to reserves.

Exchange differences arising on the translation of foreign currency borrowings, to the extent that they hedge the group's investment in overseas operations, are recognised in other comprehensive income.

Investments in associates, joint ventures and joint arrangements

In the group financial statements investments in associated undertakings and joint ventures are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of associates' and joint venture profit less losses while the group's share of the net assets of the associate and joint venture is shown in the consolidated balance sheet.

Financial instruments

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

(i) Financial assets and liabilities

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

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

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

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

1. **Accounting policies (continued)**

Financial instruments (continued)

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

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

(ii) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

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

(iii) Fair value measurement

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

(iv) Hedge accounting

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

Note 20 sets out details of the fair values of the derivative instruments used for hedging purposes.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

In December 2019, the FRC issued Amendments to FRS 102 - Interest Rate Benchmark Reform. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for effective hedges during the period of uncertainty before the hedged items or hedging instrument affected by the current interest rate benchmarks are amended.

The Group has chosen to apply the amendments early for the reporting period ended 31 December 2019. The amendments are relevant to the Group because it applied hedge accounting to swaps which were cancelled. The remaining value within the cash flow hedging reserve at the date of cancellation is recycled to the Group Statement of Comprehensive Income on a straight line basis from the date of cancellation to the original swap expiry date. Adopting the amendments permits the Group to continue this treatment.

1. **Accounting policies (continued)**

Impairment of assets

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

Taxation

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

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

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

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

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

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

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the parent company's balance sheet less provision for impairment.

2. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the accounting period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates

Property portfolio valuation

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

Derivative financial instruments

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

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Judgements

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

Distinction between investment and trading property

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

Application of hedge accounting

The Group applies the hedge accounting qualifications required under FRS 102 paragraph 12.18. In some instances, the Group employs long dated hedging instruments that go beyond the expiry date of the hedged items. In order to document the hedging relationship, the Group has determined that the debt recognised as the hedged items will be renewed consistently to the expiry date of the various hedging instruments.

3. Analyses of turnover, operating profit and net assets

Analyses of turnover and operating profit before taxation by class of business are:

	Turnover		**Operating profit**	
Class of business	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Property investment and trading	69,388	65,961	60,451	22,656
Property investment (joint venture)	-	-	-	891
Central administration and finance	-	-	(10,131)	(19,688)
	69,388	65,961	50,320	3,859

The operating profit in 2018 from the property investment joint venture relates to the group's investment in a 50\50 joint venture with Grainger PLC. On 1 May 2018, the Group acquired the remaining 50% of the shares of the joint venture.

The analysis of net assets employed by class of business and reflecting the stock of trading and development properties at directors' valuation totalling £329,464,000 (2018: £338,397,000), as part of capital employed, is:

	2019 £'000	**2018 £'000**
Class of business		
Property investment and trading	720,205	719,109
Central administration and finance	127,475	126,785
Adjusted net assets	847,680	845,894
Less surplus on revaluation of trading and development properties	(204,086)	(219,522)
Net assets	643,594	626,372

The Group's net assets at 31 December 2019 were held in the United Kingdom.

3. Analyses of turnover, operating profit and net assets (continued)

The net assets employed in the property investment joint venture in the prior year relates to the group's investment in a joint venture with Grainger PLC, which is now owned 100%.

The geographical analysis of Group turnover by origination and destination is:

	2019 £'000	2018 £'000
United Kingdom	69,388	65,961

Analysis of net operating expenses

	2019 £'000	2018 £'000
Net operating expenses		
Property expenses	15,000	12,398
Administrative expenses	17,126	25,540
Provision against investments	(25)	62
Other operating income	-	(8)
	32,101	37,992

4. Profit on sale of tangible fixed assets

	2019 £'000	2018 £'000
Group	684	2,345
Joint venture	-	18
	684	2,363

5. Loss on sale of fixed asset investment

	2019 £'000	2018 £'000
Loss on disposal of shares	-	226

6. Information regarding employees

Average monthly number of employees by activity (including directors):

	2019 No.	2018 No.
Property investment, development, trading and management	34	28
Central administration and finance	16	16
	50	44

6. Information regarding employees (continued)

Employee costs (including directors' emoluments):

	2019 £'000	2018 £'000
Wages and salaries	12,768	14,427
Social security costs	1,760	1,984
Other pension costs	416	340
	14,944	16,751

7. Information regarding directors

Directors' emoluments:

	2019 £'000	2018 £'000
Fees	90	90
Remuneration	7,255	4,336
Pension contributions	10	10
	7,355	4,436

Highest paid director:

	2019 £'000	2018 £'000
Emoluments	3,328	1,803

There was no pension accruing to the highest paid director under the defined benefit scheme at 31 December 2019 (2018: £nil).

No benefits are accruing to the directors (2018: nil) under a defined benefit scheme.

Benefits are accruing to one director under a defined contribution scheme (2018: one).

8. Operating profit

Operating profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Auditor's remuneration :		
Fees paid to the Company's auditor for the audit of the company's annual financial statements	25	25
Fees paid to the Company's auditor for the audit of the company's subsidiaries pursuant to legislation	150	114
Other services in relation to tax	85	193
Other non-tax services	80	13
Unrealised (gain)/loss on fair value movement of investment properties	(17,907)	20,550
Depreciation of tangible fixed assets - owned	127	95
(Decrease)/increase in diminution in value of trading stocks below costs	(56)	1,033

9. Finance costs (net)

	2019 £'000	2018 £'000
Interest payable and similar expenses	20,390	18,350
Less: investment income	(112)	(152)
	20,278	18,198

Investment income

	2019 £'000	2018 £'000
Bank interest	63	68
Other interest receivable and similar income	49	84
	112	152

Interest payable and similar expenses

	2019 £'000	2018 £'000
Bank loans and overdrafts wholly or partly repayable within five years	15,397	13,010
Interest rate swaps	4,548	4,626
Other interest payable	251	56
Joint venture bank loan interest	-	450
Pension scheme interest (net)	194	208
	20,390	18,350

10. Taxation

	2019 £'000	2018 £'000
Current tax		
UK Corporation Tax at 19% (2018: 19%)	2,466	8,590
Share of tax on joint venture and associates	-	36
Overseas taxation	2	4
Adjustments in respect of prior years	(138)	(54)
Total current tax	2,330	8,576
Deferred tax		
Origination and reversal of timing differences	664	(725)
Effect of increase in value of investment properties	2,144	4,317
Effect of decrease in value of joint venture investment	-	(15,207)
Effect of change in tax rate on opening liability of investment properties	6,781	-
Tax associated with pension movements	351	149
Adjustments in respect of prior years	134	14
Total deferred tax (note 18)	10,075	(11,452)
Total tax on profit/(loss)	12,405	(2,876)

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax is as follows:

	2019 £'000	2018 £'000
Group profit/(loss) before tax	30,042	(14,339)
Profit/(loss) multiplied by standard rate of corporation tax in the UK	5,708	(2,724)
Effects of:		
Expenses not deductible for tax purposes	249	45
Impact of allowances on the net revaluation of investment properties, joint venture and listed investments	(218)	(371)
Provisions	(1)	14
Other tax rate impacts	269	27
Overseas tax rate differences	2	4
Effect of change in tax rate on opening liability of investment properties	6,781	-
Effect of change in tax rate on opening liability of other deferred tax	(462)	-
Fair value adjustment attributed at acquisition to assets sold in the year	81	169
Adjustments to tax in respect of previous periods	(4)	(40)
Group tax for the year	12,405	(2,876)

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

The standard rate of tax applied to reported profit is 19 per cent (2018: 19 per cent). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015.

At Budget 2020, the government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. As a result, the deferred tax balances are now calculated at the 19% rate.

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

10. Taxation (continued)

On the 1 April 2017, the UK introduced legislation to limit corporation tax deductions for interest paid – the Corporate Interest Restriction (CIR) rules. This follows the recommendations of the OECD's Base Erosion and Profit Shifting (BEPS) project on interest expense (Action 4) from 1 April 2017. For the period ended 31 December 2017 and for the years ended 31 December 2018 and 2019, the Group has not suffered any restrictions on interest expense.

11. Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the profit and loss account and statement of comprehensive income of the company are not presented as part of these accounts.

The profit for the financial year of the company amounted to £496,000 (2018: £56,048,000).

12. Dividends

	2019 £'000	2018 £'000
Dividends per ordinary share: Interim paid £0.15p (2018: £0.90p)	1,650	9,940
Dividends per ordinary share: Final paid at £nil (2018: £1.59p)	-	17,486
	1,650	27,426

13. Tangible fixed assets

Group	Investment properties £'000	Plant and machinery £'000	Office and other equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2019	1,014,383	668	552	92	1,015,695
Additions	17,649	-	194	-	17,843
Disposals	(11,111)	-	-	-	(11,111)
Surplus on revaluation	17,907	-	-	-	17,907
At 31 December 2019	1,038,828	668	746	92	1,040,334
Accumulated depreciation					
At 1 January 2019	(73)	(626)	(326)	(86)	(1,111)
Charge for year	-	(27)	(94)	(6)	(127)
At 31 December 2019	(73)	(653)	(420)	(92)	(1,238)
Net book value					
At 31 December 2019	1,038,755	15	326	-	1,039,096
At 31 December 2018	1,014,310	42	226	6	1,014,584

13. Tangible fixed assets (continued)

Group

Investment properties comprise the following tenures:

	2019 £'000	2018 £'000
Freehold	947,027	940,664
Long leasehold	91,728	73,646
	1,038,755	1,014,310

Freehold and long leasehold investment properties were revalued to fair value by those directors of the company and subsidiary undertakings who are members of the Royal Institution of Chartered Surveyors, at £1,038,755,000 (2018: £1,014,310,000) as at 31 December 2019. For the residential assets, the Group's in-house team provided a vacant possession value, against which a discount is applied to establish the fair value. The discounts are established by tenancy type and are based on evidence gathered from recent transactional market evidence. For the commercial assets, the valuation is based on an assessment of the future cash flows that will arise and on the effective interest rate used to discount those cash flows. The key assumptions are typically market related, such as yields and discount rates, and are based on their professional judgement and market observation.

The net revaluation surplus of £17,907,000 (2018: deficit £20,550,000) has been recognised in the profit and loss account and is classified as unrealised and non-distributable.

Investment properties with a carrying amount of £790,586,000 (2018: £688,087,000) have been pledged to secure borrowings of the Group.

Included in investment properties are Group occupied freehold office buildings held at a valuation of £20,000,000 (2018: £20,000,000). No depreciation has been provided on these properties, as the charge is considered immaterial.

Comparable amounts determined on a historical cost basis:

	Investment properties £'000	Plant and machinery £'000	Office and other equipment £'000	Motor vehicles £'000	Total £'000
Net book value					
At 31 December 2019	669,545	15	326	-	669,886
At 31 December 2018	655,435	42	226	6	655,709

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

	2019 £'000	2018 £'000
Within one year	38,705	36,892
In the second to fifth years inclusive	53,300	44,980
After five years	21,521	10,670

The group has entered into non-cancellable contractual commitments in respect of investment properties of £113,526,000 (2018: £92,542,000). The group is additionally contractually obliged to carry out annual repairs and maintenance in respect of investment properties, which in the current year amounted to £7,399,000 (2018: £7,214,000).

13. Tangible fixed assets (continued)

Company

Company	Office and other equipment £'000	Total £'000
Cost or valuation		
At 1 January 2019	-	-
Additions	67	67
At 31 December 2019	67	67
Accumulated depreciation		
At 1 January 2019		
Charge for year	(13)	(13)
At 31 December 2019	(13)	(13)
Net book value		
At 31 December 2019	54	54
At 31 December 2018	-	-

14. Fixed asset investments

Group	Associated undertakings £'000	Other £'000	Total £'000
At 1 January 2019	3,921	2,825	6,746
Additions	-	40	40
At 31 December 2019	3,921	2,865	6,786
Provisions for impairment			
At 1 January 2019	3,907	653	4,560
Charge for year	-	144	144
At 31 December 2019	3,907	797	4,704
Net book value			
At 31 December 2019	14	2,068	2,082
At 31 December 2018	14	2,172	2,186

14. Fixed asset investments (continued)

Investments in shares of the following companies have been accounted for as investments in associated undertakings:

Company	Registered office address	Activity	Proportion of equity capital and voting rights held
Sanfield Properties Limited	16 Hans Road, London SW3 1RT	Property investment	50%
Promote Investments Limited	16 Hans Road, London SW3 1RT	Property investment	50%
Dorrington Derwent Holdings Limited	16 Hans Road, London SW3 1RT	Holding company for property development investment and trading	50%

The balance of other investments are held at historic cost at £2,191,000 (2018: £2,191,000).

Company	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost or valuation			
At 1 January and 31 December 2019	129,956	1,700	131,656
Provisions			
At 1 January and 31 December 2019	-	-	-
Net book value			
At 31 December 2019	129,956	1,700	131,656
At 31 December 2018	129,956	1,700	131,656

The subsidiary undertakings in which the company has an interest, all of which are wholly owned and have a 31 December year end, are listed in note 29.

15. Stocks

Group	2019 £'000	2018 £'000
Trading properties	125,378	118,876

The directors' valuation of the stock of trading properties at 31 December 2019 was £329,464,000 (2018: £338,397,000).

Hanover Acceptances Limited

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

16. Debtors

Group	Due within one year 2019 £'000	Due within one year 2018 £'000	Due after one year 2019 £'000	Due after one year 2018 £'000
Trade debtors	5,964	5,551	-	-
Other debtors	2,760	3,232	7,811	7,318
Prepayments and accrued income	1,118	1,099	-	-
	9,842	9,882	7,811	7,318

Company	Due within one year 2019 £'000	Due within one year 2018 £'000	Due after one year 2019 £'000	Due after one year 2018 £'000
Other debtors	97	-	-	-
Prepayments	233	-	-	-
Amounts owed by subsidiary undertakings	-	-	47,272	84,528
	330	-	47,272	84,528

The loans owed by subsidiary undertakings are repayable after more than one year with no fixed repayment date and interest is levied at a commercial rate.

17. Creditors

Group	Due within one year 2019 £'000	Due within one year 2018 £'000	Due after one year 2019 £'000	Due after one year 2018 £'000
Bank loans and overdrafts	(228)	116,739	435,260	276,062
Trade creditors	2,758	2,693	-	-
Derivative financial instruments (note 20)	-	-	9,287	8,469
Other creditors	15,953	23,040	19,900	23,100
Dividends	1,650	27,426	-	-
	20,133	169,898	464,447	307,631
Other creditors include:				
Other taxation and social security	298	274	-	-
Corporation tax	-	4,000	-	-
Analysis of amounts due after one year:				
Repayable within five years			345,771	187,708
Repayable after more than five years			299,324	119,923
			464,447	307,631

17. Creditors (continued)

Company	Due within one year 2019 £	Due within one year 2018 £'000	Due after one year 2019 £	Due after one year 2018 £'000
Amounts due to subsidiary undertakings	-	-	27,468	34,640
Dividends	1,650	27,426	-	-
Other creditors	2,044	4,125	-	-
	3,694	31,551	27,468	34,640
Analysis				
Repayable after five years			27,468	34,640

The amounts due to subsidiary undertakings are repayable after more than one year and interest is levied at commercial rates.

Loans and overdrafts are repayable as follows:

	2019 Group £'000	2019 Company £'000	2018 Group £'000	2018 Company £'000
Bank loans and overdrafts	435,032	-	392,801	-
Less: amounts falling due within one year	228	-	(116,739)	-
Amounts falling due after more than one year	435,260	-	276,062	-

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Analysis of loan repayments:				
Bank loans and overdrafts				
Within one year or on demand	(228)	-	116,739	-
In more than one but less than two years	(1,301)	-	64,483	-
In more than two but less than five years	342,227	-	116,579	-
In more than five years	94,334	-	95,000	-
	435,032	-	392,801	-

The bank loans and overdrafts bear interest at rates related to LIBOR. The loans are repayable at par over various periods between 2020 and 2034. Certain bank overdrafts and loans are secured by charges over certain land and buildings and certain property stock.

Exposure to price, credit, and interest rate risk arise in the normal course of the Group's business. Derivative financial instruments are used to manage exposure to fluctuations in interest rates but are not employed for speculative purposes.

Debt management

Details of the Group's loan facilities and commitments are given above.

18. Provisions for liabilities

Group	Pension fund deficit £'000	Deferred taxation £'000	Total £'000
Balance at 1 January 2018	8,865	47,496	56,361
Credited to profit and loss account	-	(11,452)	(11,452)
Transferred to investments in joint ventures	-	43	43
On transfer of joint venture to tangible assets	-	15,207	15,207
Charged to the statement of other comprehensive income	-	999	999
Pension liability (note 26)	(1,247)	-	(1,247)
Balance at 31 December 2018	7,618	52,293	59,911
Credited to profit and loss account	-	10,075	10,075
Charged to the statement of other comprehensive income	-	(82)	(82)
Pension liability (note 26)	(1,585)	-	(1,585)
Balance at 31 December 2019	6,033	62,286	68,319

Provision for the Group's potential deferred tax liability comprises:	2019 £'000	2018 £'000
Capital allowances in excess of depreciation	2,898	2,245
Deferred tax arising on the revaluation of investment properties	66,490	57,565
Deferred tax arising on the fair value of derivatives	(2,482)	(2,295)
Deferred tax arising on pension commitments	(839)	(1,295)
Other timing differences	(3,781)	(3,927)
Balance at 31 December	62,286	52,293

Company	2019 £'000	2018 £'000
Balance at 1 January (see note 26)	6,323	7,358
Movement in provisions	(1,130)	(1,035)
Balance at 31 December	5,193	6,323
Provision for the company's potential liability comprises :		
Pension liability	6,032	7,618
Deferred tax on the pension liability	(839)	(1,295)
	5,193	6,323

19. Financial instruments

The carrying value of the Group financial assets and liabilities are summarised by category below:

Group	Note	2019 £'000	2018 £'000
Financial assets			
Debt instruments measured at amortised cost:			
Trade and other debtors due within one year	16	9,842	9,882
Trade and other debtors due after one year	16	7,811	7,318
Cash and cash equivalents	24	12,284	10,966
Equity instruments measured at cost less impairment:			
Fixed asset unlisted investments	14	2,082	2,186
		32,019	30,352
Financial liabilities			
Measured at amortised cost:			
Bank loans and overdraft	17	435,032	392,801
Trade and other creditors due within one year	17	20,361	53,159
Trade and other creditors due after one year	17	29,187	31,569
		484,580	477,529

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Group		2019 £'000	2018 £'000
Interest income and expenses			
Total interest income for financial assets at amortised cost	9	63	68
Total interest expense for financial liabilities at amortised cost		(20,139)	(17,844)
		(20,076)	(17,776)

20. Derivative financial instruments

	2019	2018
Group	**£'000**	**£'000**
Derivatives that are designated and effective as hedging instruments carried at fair value		
Liabilities		
Interest rate swaps	7,519	5,823
Interest rate caps and collars	1,768	2,646
Balance at 31 December	9,287	8,469

Interest rate derivative contracts

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

Receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal value		Fair value	
	2019	2018	2019	2018	2019	2018
	%	%	£'000	£'000	£'000	£'000
Less than 1 year	-	-	-	-	-	-
1 to 2 years	3.23	3.23	10,000	10,000	122	328
2 to 5 years	5.77	4.39	135,000	135,000	4,723	6,318
5 years +	1.70	1.70	34,500	34,500	4,442	1,823
Balance at 31 December			179,500	179,500	9,287	8,469

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

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

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

A loss of £818,000 (2018: profit of £4,249,000) was recognised in the other comprehensive income statement.

21. Share capital and reserves

	2019	2018
	£'000	£'000
Authorised:		
12,000,000 (2018: 12,000,000) ordinary shares of 10p each	1,200	1,200
Allotted, called up and fully paid:		
11,000,000 (2018: 11,000,000) ordinary shares of 10p each	1,100	1,100

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

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

The share premium account contains the premium arising on issue of equity shares, net of issue expenses.

22. Cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities:

	2019 £'000	2018 £'000
Operating profit	50,320	3,135
Adjustment for:		
Depreciation of tangible fixed assets	127	95
Impairment of fixed asset investments	144	19
(Increase)/decrease in fair value of investment property	(17,907)	20,401
Profit on sale of tangible fixed assets	(684)	(2,363)
Loss on sale of fixed asset investments	-	226
Operating cash flow before movement in working capital	32,000	21,513
Increase in stocks	(6,502)	(243)
Increase in debtors	(759)	(4,259)
(Decrease)/increase in creditors	(11,104)	14,553
Provisions	(1,234)	3,827
Net cash inflow from operating activities	12,401	35,391

23. Reconciliation of net cash flow to movement in net debt

	2019 £'000	2018 £'000
Increase in cash in year	1,219	632
Decrease/(increase) in short term borrowings	182,000	(12,000)
Increase in medium term loans	(224,132)	(65,139)
Debt acquired on transfer of investment from fixed asset investment to fixed assets	-	(35,223)
Movement in net debt in the year	(40,913)	(111,730)
Opening net debt	(381,835)	(270,105)
Closing net debt	(422,748)	(381,835)

24. Analysis of net debt

	At 1 January 2019 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 December 2019 £'000
Cash at bank and in hand	10,966	1,318	-	12,284
Overdrafts	(975)	(99)	-	(1,074)
	9,991	1,219	-	11,210
Debt due within one year	(115,764)	182,000	(64,934)	1,302
Debt due after one year	(276,062)	(224,132)	64,934	(435,260)
	(381,835)	(40,913)	-	(422,748)

25. Capital commitments

Capital commitments not provided for in the financial statements are as follows:

Group	2019 £'000	2018 £'000
Contracted	27,440	1,349

The Group has contracted to spend £15.79m on commercial capex projects and £2.59m on residential capex projects. The Group has also contracted £9.06m for the redevelopment of three residential buildings at 111-117 Marylebone High Street, 2-8 Blandford Street and 14 St Vincent Street.

The Company had no capital commitments in the current and previous years.

26. Pension commitments

The Group operates a defined benefit scheme, The Hanover Acceptances Group Pension Scheme, and one defined contribution scheme.

The defined benefit scheme was closed to new entrants from 1 January 2003. From this date new employees are eligible to contribute to individual stakeholder pension policies benefiting from a Group contribution rate of 10%.

Defined benefit scheme

The Hanover Acceptances Group Pension Scheme is a contracted out final salary defined benefit pension scheme for certain employees in the UK. From 1 April 2009, members contributed at a rate of 6% of pensionable pay, and the Group contribution was increased to 46.1% of pensionable pay on the 1 July 2018. In addition, the employer also contributed £1,224,000 per annum in respect of the deficit funding. In accordance with the rules imposed by The Pensions Regulator, an actuarial valuation of the scheme at 1 April 2017 indicated that the scheme had a deficit of £5,348,000.

The service cost and liability valuations have been undertaken using the Attained Age method. This method is more appropriate for a scheme that is closed to new entrants as it considers the liabilities for benefits relating to service before and after the valuation date separately. Firstly, the value of the assets is compared with the past service liability to determine the funding level and the surplus or deficit. Secondly, in respect of the service after the valuation date, the future service contribution rate is calculated. An independent qualified actuary making certain assumptions determines the contributions.

26. Pension commitments (continued)

The most important assumptions made for the actuarial valuation at 1 April 2017 were as follows:

	2017
Excess rate of investment return over rate of salary growth – pre retirement	3.25%
Rate of pension increases in excess of the Guaranteed Minimum Pension	3.85%
Actuarial value of scheme's assets at 1 April	£34.81m
Discount rate	5.25%

For the purposes of the separate disclosures required by FRS 102, the projected credit unit method has been applied. The assets and liabilities have been valued at 31 December 2019, by an independent actuary, projecting forward the position from 1 April 2017 triennial valuation to 31 December 2019, using the following assumptions:

	2019	**2018**
Discount rate	2.0% p.a.	2.8% p.a.
Pensionable pay growth	3.9% p.a.	4.3% p.a.
Inflation	2.9% p.a.	3.4% p.a.
Pension in payment increases	3.5% p.a.	3.7% p.a.
Present value of scheme's liabilities at 31 December	£39.7m	£35.9m
Fair value of scheme's assets at 31 December	£33.7m	£28.3m

The assumed life expectations on retirement at age 65 are:	**2019 Years**	**2018 Years**
Retiring today:		
Males	22.2	22.5
Females	24.4	24.8
Retiring in twenty years:		
Males	23.5	23.9
Females	25.8	26.2

Based on the above assumptions, the estimated scheme deficit is approximately £6,033,000 (2018: £7,618,000).

The market value of assets includes figures supplied by State Street Global Advisors.

26. Pension commitments (continued)

The fair value of the scheme's assets is as follows:

	2019 Fair value £'000	2018 Fair value £'000	2017 Fair value £'000
Equities	23,972	23,208	27,496
Bonds (including gilts)	9,596	4,387	4,777
Cash/other	101	708	228
Total market value of assets	33,669	28,303	32,501
Present value of scheme liabilities	(39,702)	(35,921)	(41,366)
Deficit in the scheme	(6,033)	(7,618)	(8,865)
Related deferred tax asset	839	1,295	1,507
Net pension liability	(5,194)	(6,323)	(7,358)

Analysis of the changes in the present value of the defined benefit obligations

	2019 £'000	2018 £'000
Opening defined benefit obligation	35,921	41,366
Movement in the year:		
Current service cost	155	166
Member contributions	18	19
Interest cost	996	993
Actuarial losses/(gains)	3,338	(3,179)
Benefits paid	(726)	(3,444)
Closing defined benefit obligation	39,702	35,921

Analysis of the changes in the fair value of plan assets

	2019 £'000	2018 £'000
Opening fair value of plan assets	28,303	32,501
Movement in the year:		
Interest income	802	785
Expected return excluding amounts included in interest income	3,883	(2,809)
Contributions by employer	1,389	1,251
Member contributions	18	19
Benefits paid	(726)	(3,444)
Closing fair value of plan assets	33,669	28,303

26. Pension commitments (continued)

Analysis of amount charged to operating profit

	2019 £'000	2018 £'000
Current service cost	(155)	(166)
Contributions by employer	1,389	1,251
	1,234	1,085

Analysis of amount debited to other finance income/(expenses)

	2019 £'000	2018 £'000
Interest income on pension scheme assets	802	785
Interest on pension scheme liabilities	(996)	(993)
Net amount recognised in profit and loss	(194)	(208)

Analysis of amount recognised in other comprehensive income

	2019 £'000	2018 £'000
Return on pension scheme assets excluding amounts included in interest expense/income	3,883	(2,809)
Experience gains and losses arising on the schemes' liabilities	-	892
Changes in assumptions underlying the present value of the scheme liabilities	(3,338)	2,287
Actuarial gain/(loss) recognised in other comprehensive income	545	370

Defined contribution schemes

A defined contribution scheme is operated for the employees of the Group joining after the defined benefit scheme was closed to new members. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the group to the funds and amounted to £196,000 (2018: £173,000).

27. Parent undertaking

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

The immediate parent undertaking of the company is Rombas Holding SA, which is incorporated in the Republic of Panama.

28. Related party transactions

In accordance with Financial Reporting Standard No 102, transactions with other undertakings within the Hanover Acceptances Limited Group have not been disclosed in these financial statements.

29. Post balance sheet events

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

30. Subsidiary undertakings

All subsidiaries have been incorporated in the UK and are registered in England and Wales, with registered office address as 16 Hans Road, London, SW3 1RT. They are 100% owned unless otherwise stated.

Directly held:	**Activity:**
Dorrington Holdings PLC	Dormant
Dorrington Property Group Limited	Investment Holding
Fresh Capital Group Limited	Investment Holding
Hanover Management Services Limited	Management and Secretarial Services
The Hanover Group Limited	Dormant

Indirectly held:	**Activity:**
25 Randolph Crescent Limited	Dormant
135 Ashmore Road Limited	Dormant
Barcforest Limited	Dormant
British Consolidated Investment Corporation Limited	Dormant
Capital & District Properties Limited	Dormant
Chesterfield Management Limited	Dormant
City West End & Suburban Shop Property Company Limited	Property Investment
Clifton House Islington Limited	Property Investment
Dorrington (Knightsbridge) Properties Limited	Dormant
Dorrington Belgravia Limited	Property Investment
Dorrington City Limited	Dormant
Dorrington Developments Limited	Dormant
Dorrington Estates Limited	Investment Holding
Dorrington Fulwood Limited	Property Investment
Dorrington Hanover Limited	Dormant
Dorrington Hatton Limited	Dormant
Dorrington Homes Limited	Dormant
Dorrington Housing Limited	Property Trading
Dorrington Hove Limited	Dormant
Dorrington Investment Plc	Investment Holding
Dorrington Investment Trust Limited	Dormant
Dorrington London Flats Limited	Property Investment
Dorrington Lyndale Limited	Investment Holding

30. Subsidiary undertakings (continued)

Indirectly held:	Activity:
Dorrington Management Limited	Property Management
Dorrington Midtown Limited	Property Investment
Dorrington Projects Limited	Dormant
Dorrington Properties Plc	Investment Holding
Dorrington Property Developments Limited	Property Investment
Dorrington Queensway Limited	Property Investment
Dorrington Residential Limited	Property Trading
Dorrington Southside Limited	Property Investment
Dorrington Southwark Limited	Dormant
F & D Knight Limited	Dormant
Hampstead Property (Residential) Limited	Dormant
Hampstead Property Limited	Dormant
Hanover Acceptances Finance Limited	Dormant
Hanover Administrators Limited	Dormant
Hanover Acceptances Investments Limited	Dormant
Hanover Dorrington Limited	Dormant
Hanover Financial Services Limited	Dormant
Hanover Property Developments Limited	Dormant
Hanover Property Trust Limited	Dormant
Heath (Properties) Limited	Dormant
Highcroft Estates Limited	Dormant
Lintsbrook Developments Limited	Dormant
London Consolidated Investments Limited	Dormant
London Consolidated Properties Limited	Property Investment
Lovat Pride (Mineral Water) Limited	Dormant
Lyndale Development Company Limited	Property Trading and Management
Oyo Properties Limited	Property Trading
Portman Estates Limited	Dormant
Portmans (Property Consultants) Limited	Dormant
Portstock Limited	Dormant
River's Edge Estates Limited	Dormant
Sarsfield Properties Limited	Dormant
SGMS Limited	Investment
Spice Property Investments Limited	Property Investment
Tamoa Investments Limited	Dormant
Throgmorton Securities Limited	Property Investment
Union Street Limited	Dormant
Ventaquest Developments Limited	Dormant
Walworth Investment Properties Limited	Property Investment