

Company Registration No. 00634740

Dorrington Investment PLC

Report and Financial Statements

31 December 2016



Dorrington Investment PLC

Report and financial statements 2016

Content	Page
Officers and financial advisers	1
Directors' report	2
Independent auditor's report	4
Profit and loss account	6
Statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9

Dorrington Investment PLC

Officers and financial advisers

Directors

M S Gorvy
S B Gorvy
J P Kennedy
A J Leibowitz
T Moross
D J Salvesen

Secretary

Hanover Management Services Limited

Registered Office

16 Hans Road
London
SW3 1RT

Solicitors

Herbert Smith Freehills LLP

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Dorrington Investment PLC

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Business review and principal activities

The company is an intermediate parent company of a group of companies engaged in trading and investment, primarily in residential property. There have not been any significant changes in the company's principal activities during the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The company continues to be profitable and is in a net asset position. Accordingly, they continue to adopt the going concern basis in preparing the accounts (Note 1).

The results for the year are set out on page 6. The profit for the year is £19.9m (2015: £16.2m). The position of the company at the year end is set out on page 7 of the financial statements.

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 FRS102 "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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 company's transactions with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Dividends

An interim dividend of £18m was paid during the year ended 31 December 2016 (2015: £17.5m) and no final dividend is proposed (2015: £nil).

Directors

The present directors are shown on page 1. All directors served throughout the year and subsequently.

Dorrington Investment PLC

Directors' report (continued)

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.

Disclosure of information to auditor

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

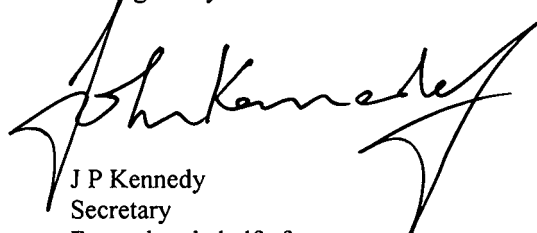
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company'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
Secretary
For and on behalf of
Hanover Management Services Limited

18th May 2017

Independent auditor's report to the members of Dorrington Investment PLC

We have audited the financial statements of Dorrington Investment PLC for the year ended 31 December 2016 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed in the Companies Act 2006

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

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

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

Independent auditor's report to the members of Dorrington Investment PLC (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were entitled to take advantage of the small companies exemption in preparing the Strategic report and the Directors' Report.



Sara Tubridy (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

18th May 2017

Dorrington Investment PLC

Profit and loss account Year ended 31 December 2016

	Notes	2016 £	2015 £
Administrative expenses		(299,182)	(345,935)
Operating loss	3	(299,182)	(345,935)
Income from investments in subsidiary undertakings	4	20,500,000	16,500,000
Income from investment in joint venture		-	279,479
Sundry income		26,500	64,196
Finance costs (net)	5	(390,882)	(408,455)
Profit on ordinary activities before taxation		19,836,436	16,089,285
Tax on profit on ordinary activities	7	128,257	132,147
Profit for the financial year		<u>19,964,693</u>	<u>16,221,432</u>

All activities derive from continuing operations both in the current and preceding year.

Statement of comprehensive income Year ended 31 December 2016

	2016 £	2015 £
Profit for the financial year	<u>19,964,693</u>	<u>16,221,432</u>
Total comprehensive income for the financial year	<u>19,964,693</u>	<u>16,221,432</u>

Dorrington Investment PLC

Balance sheet 31 December 2016

	Notes	£	2016 £	£	2015 £
Fixed assets					
Investments subsidiary undertakings	9		30,056,445		29,622,445
Investment in joint venture	10		28,072,760		28,072,760
Other investments			4		4
			<u>58,129,209</u>		<u>57,695,209</u>
Current assets					
Debtors: amounts falling due within one year	11	778,685		981,363	
Debtors: amounts falling due after one year	12	204,182,240		204,953,967	
Cash at bank and in hand		26,649		6,042,359	
			<u>204,987,574</u>	<u>211,977,689</u>	
Creditors: amounts falling due within one year	13	(13,511,793)		(19,383,607)	
Net current assets			<u>191,475,781</u>		<u>192,594,042</u>
Total assets less current liabilities			<u>249,604,990</u>		<u>250,289,291</u>
Creditors: amounts falling due after one year	14		(230,956,493)		(233,605,487)
Net assets			<u>18,648,497</u>		<u>16,683,804</u>
Capital and reserves					
Called up share capital	15		671,000		671,000
Share premium account	15		1,837,127		1,837,127
Other reserves	15		98,145		98,145
Profit and loss account	15		16,042,225		14,077,532
Shareholders' funds			<u>18,648,497</u>		<u>16,683,804</u>

The financial statements of Dorrrington Investment PLC Company Registration No. 00634740 were approved by the Board of Directors on 18th May 2017.

Signed on behalf of the Board of Directors

T Moross
Director

J P Kennedy
Director

Dorrington Investment PLC

Statement of changes in equity Year ended 31 December 2016

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 1 January 2015	671,000	1,837,127	98,145	15,356,100	17,962,372
Profit for the financial year	-	-	-	16,221,432	16,221,432
Total comprehensive income	-	-	-	16,221,432	16,221,432
Dividend paid	-	-	-	(17,500,000)	(17,500,000)
At 31 December 2015	671,000	1,837,127	98,145	14,077,532	16,683,804
Profit for the financial year	-	-	-	19,964,693	19,964,693
Total comprehensive income	-	-	-	19,964,693	19,964,693
Dividend paid	-	-	-	(18,000,000)	(18,000,000)
At 31 December 2016	671,000	1,837,127	98,145	16,042,225	18,648,497

Dorrington Investment PLC

Notes to the financial statements Year ended 31 December 2016

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

Dorrington Investment PLC is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1.

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

Dorrington Investment PLC is exempt from preparing consolidated accounts under the Companies Act 2006 because it is a wholly owned subsidiary of an EC parent, as disclosed in note 16 of the financial statements. These financial statements present information as an individual undertaking and not as a group. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, related party transactions and remuneration of key management personnel.

Going concern

The financial statements have been prepared on a going concern basis. After due consideration of the company's financial position and trading performance as well as the recent economic climate, and the continued challenges within the real estate sector, the directors have reasonable expectations that the company has adequate resources to continue in operational existence for the foreseeable future.

Pension scheme

The company is a member of the Hanover Acceptances Limited Group Pension Scheme, which is a defined benefit scheme covering certain employees. As the employer is unable to identify its share of the underlying assets and liabilities, the scheme is treated as if it were a defined contribution scheme and the amount charged to the profit and loss account in respect of pension costs 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. Independent actuarial valuations of the scheme are made every three years.

Investments in associates, joint ventures and joint arrangements

Investments in subsidiary undertakings and joint arrangements are stated at cost less any provision for impairment in value. An annual review is carried out to adjust the provision required to reflect the movement in the net asset value at the end of each year.

Dorrington Investment PLC

Notes to the financial statements Year ended 31 December 2016

1. Accounting policies (continued)

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 company'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 company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company'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.

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value. An annual review is carried out to adjust the provision required to reflect the movement in the net asset value at the end of each year. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

Dorrington Investment PLC

Notes to the financial statements Year ended 31 December 2016

3. Operating loss

	2016 £	2015 £
Operating loss is stated after charging:		
Auditor's remuneration: fees paid to the company's auditor for the audit of the company's annual accounts	4,000	10,000

There are no non audit fees included within operating loss for the year (2015: £nil).

4. Income from investments in subsidiary undertakings

	2016 £	2015 £
Dividends	20,500,000	16,500,000

5. Finance costs (net)

	2016 £	2015 £
Interest payable and similar charges	5,408,311	5,286,911
Less: investment income	(5,017,429)	(4,878,456)
	390,882	408,455

Investment income

	2016 £	2015 £
Bank interest	7,108	28,996
Loans to group undertakings	4,553,659	4,383,246
Other interest	456,662	466,214
	5,017,429	4,878,456

Interest payable and similar charges

Interest on mortgage and debenture loans	229,441	256,681
Loans from Group undertakings	5,178,870	5,030,230
	5,408,311	5,286,911

Dorrington Investment PLC

Notes to the financial statements Year ended 31 December 2016

6. Information regarding directors and employees

None of the directors received any emoluments for their services to the company during the year (2015: £nil). There were no other employees (2015: none).

7. Tax credit on profit on ordinary activities

	2016 £	2015 £
UK corporation tax at 20% (2015: 21% and 20%)	(128,275)	(132,147)
Adjustments in respect of prior years	18	-
Total current tax credit	(128,257)	(132,147)

The effective rate of corporation tax for the year varies from the standard rate in the United Kingdom as applied to the Company's pre-tax profit for the reasons analysed below.

	2016 £	2015 £
Profit on ordinary activities before tax	19,836,436	16,089,285
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	3,967,287	3,257,529
Effects of:		
Expenses not deductible for tax purposes	4,455	48,970
Dividends	(4,100,000)	(3,340,685)
Other tax rate impacts	(17)	(21)
Adjustments to tax charge in respect of previous periods	18	-
Total tax credit for the year	(128,257)	(132,147)

Finance Act 2015 provided for a reduction in the main rate of corporation tax to 19% effective from 1 April 2017.

The corporation tax rate will be reduced by a further 2% to 17% for the financial year beginning 1 April 2020.

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

8. Dividends

	2016 £	2015 £
Interim dividend paid on ordinary shares at 26.83p per share (2015: 26.08p per share)	18,000,000	17,500,000

Dorrington Investment PLC

Notes to the financial statements Year ended 31 December 2016

9. Investments in subsidiary undertakings

	2016 £	2015 £
At cost		
At 1 January	29,622,445	29,622,445
Additions	434,000	-
	<u>30,056,445</u>	<u>29,622,445</u>
Provisions		
At 1 January and 31 December	-	-
	<u>30,056,445</u>	<u>29,622,445</u>
Net book value at 31 December	<u>30,056,445</u>	<u>29,622,445</u>

The company acquired the entire share capital of Dorington Property Developments Limited from a fellow subsidiary undertaking during the year.

The subsidiary undertakings in which the company has an interest are listed in note 19. All are wholly owned with 100% voting rights and incorporated in Great Britain.

10. Joint ventures

	Investment £	Loans £	Total £
At 1 January and 31 December 2015	<u>21,572,760</u>	<u>6,500,000</u>	<u>28,072,760</u>
At 1 January and 31 December 2016	<u>21,572,760</u>	<u>6,500,000</u>	<u>28,072,760</u>

The joint venture investment is held through a 50% investment in Walworth Investment Properties Limited, a property investment company incorporated in Great Britain.

The loan notes issued by Walworth Investment Properties Limited are for a period of five years, with a redemption date of 10 May 2018. The loan notes were repaid on 6 February 2017. Interest is payable quarterly in arrears at an annual interest rate of 7%.

11. Debtors: amounts falling due within one year

	2016 £	2015 £
Trade debtors	393,348	720,151
Prepayments and accrued income	385,337	261,212
	<u>778,685</u>	<u>981,363</u>

12. Debtors: amounts falling due after one year

	2016 £	2015 £
Amounts due from other group undertakings	<u>204,182,240</u>	<u>204,953,967</u>

The loans from the subsidiary undertakings are repayable after more than one year with no fixed repayment date. The loans are unsecured and interest is charged at a commercial rate.

Dorrington Investment PLC

Notes to the financial statements Year ended 31 December 2016

13. Creditors: amounts falling due within one year

	2016 £	2015 £
Mortgage and debenture loans	13,447,475	13,889,956
Floating rate loan notes	-	5,412,158
Other creditors	64,318	81,493
	<u>13,511,793</u>	<u>19,383,607</u>

14. Creditors: amounts falling due after one year

	2016 £	2015 £
Amounts due to group undertakings	<u>230,956,493</u>	<u>233,605,487</u>

The loans from the subsidiary undertakings are repayable after one year with no fixed repayment date. The loans are unsecured and interest is charged at a commercial rate.

15. Called up share capital and reserves

	2016 £	2015 £
Authorised:		
75,000,000 ordinary shares of 1p each	<u>750,000</u>	<u>750,000</u>
Allotted, called up and fully paid:		
67,100,000 ordinary shares of 1p each	<u>671,000</u>	<u>671,000</u>

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

The share premium reserve and other reserves contains the premium arising on issue of equity shares, net of issue expenses.

16. Ultimate parent undertaking

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

The company is a subsidiary of its immediate parent undertaking Dorington PLC and its intermediate parent undertaking Hanover Acceptances Limited, both companies being incorporated in Great Britain and registered in England and Wales. Hanover Acceptances Limited is the largest group for which consolidated financial statements are prepared and Dorington PLC is the smallest group for which consolidated financial statements are prepared.

Copies of the financial statements of Dorington PLC and of Hanover Acceptances Limited are available from the Company Secretary, 16 Hans Road, London SW3 1RT.

17. Related party transactions

The company has taken advantage of the exemption from related party disclosures in accordance with Paragraph 33.1A of Financial Reporting Standard No. 102.

Dorrington Investment PLC

Notes to the financial statements **Year ended 31 December 2016**

18. Cash flow statement

The company is a wholly-owned subsidiary of Hanover Acceptances Limited and the cash flows of the company are included in the consolidated cash flow statement of Hanover Acceptances Limited. Consequently the company is exempt under financial Reporting Standard 102 from the requirement to prepare a cash flow statement.

19. Subsidiary undertakings

All subsidiaries have been incorporated in the UK and are 100% owned unless otherwise stated.

Directly held:

135 Ashmore Road Limited
Barcforest Limited
Capital & District Properties Limited
Dorrington (Knightsbridge) Properties Limited
Dorrington Belgravia Limited
Dorrington Developments Limited
Dorrington Housing Limited
Dorrington Investment Trust Limited
Dorrington London Flats Limited
Dorrington Lyndale Limited
Dorrington Property Developments Limited
Dorrington Queensway Limited
Dorrington Residential Limited
Eaton Manor Hove Limited
F & D Knight Limited
Field View (Derby Road) Management Company Limited
Hampstead Property (Residential) Limited
Hampstead Property Limited
Hanover Property Trust Limited
Heath (Properties) Limited
Highcroft Estates Limited
Lintsbrook Developments Limited
Lyndale Development Company Limited
Portman Estates Limited
River's Edge Estates Limited
Ventaquest Developments Limited