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**ROWAN FINANCE LIMITED**

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**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**



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**ROWAN FINANCE LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	W K Procter C C McGill P Hallam M D Watson
<b>Company secretary</b>	D T Lau
<b>Registered number</b>	02474878
<b>Registered office</b>	Berkeley House 304 Regents Park Road London N3 2JX
<b>Independent auditor</b>	RSM UK Audit LLP Chartered Accountants 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN

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**ROWAN FINANCE LIMITED**

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**CONTENTS**

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	Page
<b>Directors' Report</b>	<b>1 - 2</b>
<b>Directors' Responsibilities Statement</b>	<b>3</b>
<b>Independent Auditor's Report</b>	<b>4 - 8</b>
<b>Statement of Comprehensive Income</b>	<b>9</b>
<b>Statement of Financial Position</b>	<b>10</b>
<b>Statement of Changes in Equity</b>	<b>11</b>
<b>Notes to the Financial Statements</b>	<b>12 - 24</b>

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**ROWAN FINANCE LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

**Principal activity**

The principal activity of the company during the year was that of property investment.

**Business review and future developments**

The directors are satisfied with the financial position of the company at the year end.

The directors are mindful of the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 2.9 which potentially could lead to a significant adverse impact on the business. However, given the general uncertainty surrounding leasehold reform, the impact of building safety legislation and its effect on leaseholder behaviour referred to in that note no adjustments have been made in the financial statements to reflect this.

**Results and dividends**

The loss for the year, after taxation, amounted to £4,517,790 (2021 - £164,946).

The statement of comprehensive income is set out on page 9 and shows the results of the year. The directors do not recommend the payment of a dividend for the current year and no dividend was paid in the prior year.

**Investment properties**

The investment properties have been valued at £5,080,000 (2021: £11,200,000). The resultant fair value loss in the year amounted to £6,120,000 (2021 gain: £428,000). Details of the investment properties are set out in note 8.

**Directors**

The directors who served during the year were:

W K Procter  
C C McGill  
P Hallam  
M D Watson

**Statement as to disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Insurance of company officers**

The company has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the company.

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**ROWAN FINANCE LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Auditor**

The auditor, RSM UK Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

DocuSigned by:  
  
97DB064D6A94426...  
**P Hallam**  
Director

Date: 24 July 2023

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**ROWAN FINANCE LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

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**ROWAN FINANCE LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROWAN FINANCE LIMITED**

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**Opinion**

We have audited the financial statements of Rowan Finance Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**ROWAN FINANCE LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROWAN FINANCE LIMITED (CONTINUED)**

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**Emphasis of matter - Valuation of investment properties**

We draw attention to the disclosures made in the accounting policies on page 14 and in note 8 to the financial statements concerning the carrying values of the company's investment properties. Investment properties are valued on an actuarial basis.

Investment properties totalling £5.1m (2021: £11.2m) are included in the financial statements at 31 December 2022 based on a valuation prepared by a firm of independent actuarial consultants at 31 December 2022 and taking account of the outcome of action taken by the Competition and Markets Authority and legislation substantively enacted as at 31 December 2022.

In the prior year the properties were valued by the directors having regard to an interim valuation prepared by the actuarial consultants in 2017 and further analysis prepared by the actuaries at 31 December 2021 and taking into account the outcome of action taken by the CMA and legislation substantively enacted at 31 December 2021.

As indicated in the notes, considerable volatility exists in all of these valuations. This is demonstrated by the decrease in total valuation of £6.1m in the current year when compared to the directors' valuation at 31 December 2021, which in turn had increased by £428k when compared to the directors' valuation at 31 December 2020, and as detailed in note 8 where the impact of changes in the underlying assumptions are detailed.

Additionally, as noted in the accounting policies, the directors also recognise, given the lack of a regular market for significant portfolios of such assets, that the carrying value of investment property would not be realised in full should the company seek to dispose of any or all of the properties.

Given the uncertainties relating to the volatility in the valuations and the wider impact of leasehold reform and changes to building safety legislation the ultimate outcome of these matters cannot presently be determined, and no provision for any impairment in the carrying value of the investment properties that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

**Emphasis of matter – Contingent liabilities**

We also draw attention to the disclosures in note 15, Contingent Liabilities, which details matters that could create additional liabilities in the future as a consequence of the Building Safety Act 2022. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

**Conclusions relating to going concern**

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

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

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

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**ROWAN FINANCE LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROWAN FINANCE LIMITED (CONTINUED)**

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**Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the 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.

**Matters on which we are required to report by exception**

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 material misstatements in the Directors' Report.

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

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

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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**ROWAN FINANCE LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROWAN FINANCE LIMITED (CONTINUED)**

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**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.

**The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and property laws and regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, evaluating advice received from tax advisors, reviewing client information with respect to ongoing legal matters and reviewing and monitoring government releases regarding leasehold reforms and Building Safety legislation. Potential changes to property laws and regulations and their impact on these financial statements are further discussed in the accounting policies on pages 16 and 17.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business.

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**ROWAN FINANCE LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROWAN FINANCE LIMITED (CONTINUED)**

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

**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.

*Colin Roberts*

Colin Roberts FCA (Senior Statutory Auditor)

for and on behalf of

**RSM UK Audit LLP, Statutory Auditor**

Chartered Accountants

3rd Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

Date: 25/07/23

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**ROWAN FINANCE LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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	Note	2022 £	2021 £
Turnover	3	120,275	114,958
Administrative expenses		(19,290)	(18,055)
<b>Operating profit</b>		<u>100,985</u>	<u>96,903</u>
Fair value (loss)/gain on investment property	8	(6,120,000)	428,000
Interest payable and similar expenses	4	(38,367)	(27,464)
<b>(Loss)/profit before tax</b>	5	<u>(6,057,382)</u>	<u>497,439</u>
Tax on (loss)/profit	7	1,539,592	(662,385)
<b>Loss for the financial year</b>		<u><u>(4,517,790)</u></u>	<u><u>(164,946)</u></u>

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 12 to 24 form part of these financial statements.

**ROWAN FINANCE LIMITED**  
**REGISTERED NUMBER: 02474878**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Investment property	8	5,080,000	11,200,000
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	2,945	2,500
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10	(60,618)	(57,766)
<b>Net current liabilities</b>		(57,673)	(55,266)
<b>Total assets less current liabilities</b>		5,022,327	11,144,734
Creditors: amounts falling due after more than one year	11	(938,231)	(1,003,256)
<b>Provisions for liabilities</b>			
Deferred tax	12	(804,408)	(2,344,000)
<b>Net assets</b>		3,279,688	7,797,478
<b>Capital and reserves</b>			
Called up share capital	13	2	2
Profit and loss account		3,279,686	7,797,476
<b>Total equity</b>		3,279,688	7,797,478

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:  
  
97DB064D6A94426...  
**P Hallam**  
Director

Date: 24 July 2023

The notes on pages 12 to 24 form part of these financial statements.

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**ROWAN FINANCE LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
<b>At 1 January 2021</b>	<b>2</b>	<b>7,962,422</b>	<b>7,962,424</b>
Loss and total comprehensive income for the year	-	(164,946)	(164,946)
<b>At 31 December 2021</b>	<b>2</b>	<b>7,797,476</b>	<b>7,797,478</b>
Loss and total comprehensive income for the year	-	(4,517,790)	(4,517,790)
<b>At 31 December 2022</b>	<b>2</b>	<b>3,279,686</b>	<b>3,279,688</b>

The notes on pages 12 to 24 form part of these financial statements.

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1. General information**

Rowan Finance Limited ("the company") is a private company limited by shares, domiciled and incorporated in England. The address of the company's registered office and principal place of business is Berkeley House, 304 Regents Park Road, London, N3 2JX. The principal activity of the company during the year was that of property investment.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102) and the requirements of Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention as modified to include investment properties at fair value.

**2.2 Reduced disclosures**

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures.

The financial statements of the company are consolidated in the financial statements of Ramchez GR Limited. The consolidated financial statements of Ramchez GR Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)****2.3 Going concern**

In preparing the accounts on the going concern basis the directors have given consideration to the company's result for the year and the company's net asset position.

The directors have taken into account the enacted and potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 2.9 and believe that the company has adequate financial resources to continue as a going concern for a period of one year from the date of signing the financial statements. This is on the grounds that the loan facility drawn down in 2015 by the company's parent company, Dellmes GR Limited, is a 65 year fully amortising facility. There are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet debt service liabilities as they fall due for the twelve months from which these financial statements are approved. The company's immediate parent company, Dellmes GR Limited, has confirmed that it will provide financial support where needed in the period of twelve months following the signing of the accounts to enable the company to pay its debts as they fall due.

In addition to the matters described above, in arriving at their conclusion the Directors have also considered Leasehold reform and Building Safety legislation:

*Leasehold reform*

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act came into force on 30 June 2022 for leases on non-retirement properties and on 1 April 2023 for leases on retirement properties. This legislation does not apply retrospectively although it does restrict the ability of the group, of which the company is a member, to generate rental income beyond the existing term of current leases.

As such, the impact of preventing the creation of future ground rents under the Act is not expected, on its own, to have a material effect on the ability of the group, of which this company is a member, to meet its liabilities as they fall due for a reasonably foreseeable period.

*Building Safety legislation*

The Building Safety Act was given Royal Assent on 28 April 2022. The Act introduced the responsibility on the freeholder to fund the remediation of certain defects on relevant buildings should the original developer or other responsible party not be available to provide funding.

On buildings over 11 metres or 5 storeys in height the developer is expected to be primarily responsible for funding the necessary remediation. Where the original developer is not available to meet this funding requirement the Government will provide funding to ensure the needed remediation of the external wall systems on any affected buildings. In these cases the freeholder may now be primarily responsible for funding remediation outside the scope of the Government funding with limited recourse to cost recovery from leaseholders.

It is not yet possible to establish the level of contribution that may be required by the group, of which the company is a member, across its portfolio. However it is expected that a risk based phasing of works will be required to ensure that both financial and non-financial resource will be available to successfully manage a programme of works. Should this new requirement on the freeholder to fund the remediation of building defects create financial hardship for the group and other freeholders, it will prevent the achievement of the Government's policy objectives to resolve the building safety crisis and further Governmental measures will be needed.

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)**

**2.3 Going concern (continued)**

The directors, having given consideration to the provisions of the Act and their potential impact on the company do not believe that the Act will have a material effect on the company's ability to meet its liabilities as they fall due for a reasonably foreseeable period of time.

**2.4 Functional and presentational currencies**

The financial statements are presented in sterling which is also the functional currency of the company.

**2.5 Turnover**

Turnover comprises rent receivable and other income arising from investment properties.

Rental income is recognised in accordance with the terms of the lease. Inflationary uplifts to rental income are recognised when received. Non-inflationary uplifts are also recognised when received as the directors are of the opinion that to recognise the impact of those uplifts on a straight line basis over such long term leases (up to 999 years) would not give a true and fair view as the period between recognition and actual collection would be of sufficient length to cause uncertainty over the value to be collected.

Turnover is recognised at the fair value of the consideration received or receivable for rental income charged to external customers in the ordinary nature of the business. Turnover is shown net of value added tax.

**2.6 Investment properties**

The company's holding of investment properties is comprised of freehold reversionary interests and these are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available. Changes in fair value are recognised in the statement of comprehensive income.

These assets represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets generate income in the form of annual ground rents along with other ancillary income streams.

Recognising the nature of these investment properties and the lack of a regular market for significant portfolios of such assets, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cashflow valuation of the income streams generated by these assets. The entire freehold reversionary interest portfolio has been valued in the current year based on an actuarial valuation carried out by a leading firm of third-party actuarial consultants. In the prior year the valuation of the portfolio was undertaken by the directors.

The directors also recognise, given the lack of a regular market for significant portfolios of such assets, that these values would not be realised should the company seek to dispose of any or all of the investment properties.

Further details are given in note 8.

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)****2.7 Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and profit before taxation that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

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

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

**2.8 Financial instruments**

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

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

*Financial assets***Debtors**

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)****2.8 Financial instruments (continued)***Financial liabilities**Creditors*

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

*Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

*Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**2.9 Critical accounting estimates and areas of judgement**

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates and assumptions*

In preparing these financial statements, the directors have made estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Valuation of investment properties*

A key accounting estimate in preparing these financial statements relates to the carrying value of the investment properties. In the current year an external professional actuarial valuation has been used as the basis for the fair value of the investment property. However, the valuation of the company's investment properties is inherently subjective, as it is made on the basis of valuation assumptions which may in future prove not to be accurate. The risk of which is heightened due to the enacted and further potential legislative changes noted below.

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)**

Parliament has enacted legislation, the Leasehold Reform (Ground Rent) Act 2022, which prevents the inclusion of a ground rent in excess of a peppercorn on new residential long leases. The Act came into force on 30 June 2022 for leases on non-retirement properties and on 1 April 2023 for leases on retirement properties. This legislation does not apply retrospectively although it does restrict the ability of the company to generate rental income beyond the existing term of current leases as it impairs the ability of the freeholder and leaseholder to agree for the continuation of ground rent in the extension period when extending the lease beyond the current lease term. Due to the lack of data available it is not possible at this time to assess how this change in law will impact the proportion of leases that retain rent beyond a lease extension.

In addition to the enacted legislation the Government is expected to introduce further legislation that will affect the law governing leasehold enfranchisement and lease extensions. These changes, if enacted, are likely to reduce the company's future income arising from the premium received at the point of lease extension or enfranchisement. It could also increase incidence rates of enfranchisements and lease extensions and negatively impact the ongoing rental income. It is unclear at this time to what extent these changes could reduce the future cash flows of the company but it could have a material impact. These factors create uncertainty surrounding the calculation of the fair value of the assets.

The directors are of the view that the proposed changes, if introduced in total, would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged, and continue to engage, actively in consultations with Government, other stakeholders and interested parties in order to convey the company's opposition to the current reform agenda. Public announcements by government and in the Law Commission's report have recognised that any proposals to make wholesale reforms pose real problems with respect to the contravention of human rights legislation.

In addition, there is a potential impact arising from the Building Safety legislation enacted in 2022, see note 15 for further details.

An intrinsic element of the long-term forecasts is the continuing rental income and lease extension premiums generated by the property assets held by the company. The potential legislative changes raised above may affect these forecasts to the extent that the underlying assumption is no longer valid.

Similarly, the group's debt service requirements are primarily dependent upon this continuing rental income and these potential legislative changes, if introduced in their current form, could affect the group's ability to meet its obligations in the long term.

The financial consequences of these enacted and potential changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on their forecasts, further details of which are given in note 15. It is assumed that the current methodology continues to represent a fair value of these assets.

Further details of the valuation of the investment property are set out in note 8.

*Deferred taxation*

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**3. Turnover**

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Rent receivable	91,830	90,668
Other income	28,445	24,290
	<u>120,275</u>	<u>114,958</u>

All turnover arose within the United Kingdom.

**4. Interest payable and similar expenses**

	2022 £	2021 £
Interest on parent company loan	37,986	27,082
Finance costs recharged	381	382
	<u>38,367</u>	<u>27,464</u>

**5. (Loss)/profit before taxation**

The (loss)/profit before taxation is stated after charging:

	2022 £	2021 £
Auditors' remuneration	9,960	8,500

**6. Employees**

There were no employees during the year other than the directors. The directors are remunerated by the related party Fairhold Services Limited and this is recharged to the company as part of the management charge from Estates & Management Limited. This management charge, which in 2022 amounted to £7,697 (2021: £7,922) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the company and it is not possible to identify separately the amount relating to the directors' remuneration.

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**7. Taxation**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Corporation tax</b>		
Current tax on profits for the year	-	6,238
UK corporation tax adjustment in respect of prior years	-	4,147
<b>Total current tax</b>	<u>-</u>	<u>10,385</u>
<b>Deferred tax</b>		
Movement on potential chargeable gain liability	(1,549,184)	107,000
Effect of change in tax rate	-	537,000
Effect of trading losses on deferred tax	9,592	8,000
<b>Total deferred tax</b>	<u>(1,539,592)</u>	<u>652,000</u>
<b>Taxation on (loss)/profit</b>	<u>(1,539,592)</u>	<u>662,385</u>

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**7. Taxation (continued)**

**Factors affecting tax charge for the year**

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

	2022 £	2021 £
(Loss)/profit before tax	<u>(6,057,382)</u>	<u>497,439</u>
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<u>(1,150,903)</u>	<u>94,513</u>
<b>Effects of:</b>		
Adjustments for prior periods	-	4,147
Tax losses utilised	-	(4,264)
Other timing differences, incl. capital allowances	(2,320)	(2,691)
Group relief received without charge	(9,577)	-
Fair value gain on investment properties	1,162,800	(81,320)
Movement on potential chargeable gain liability	(1,549,184)	107,000
Effect of change in tax rate	-	537,000
Effect of trading losses on deferred tax	9,592	8,000
<b>Total tax (credit)/charge for the year</b>	<u><u>(1,539,592)</u></u>	<u><u>662,385</u></u>

**Factors that may affect future tax charges**

In the prior period, the Finance Act 2021 was enacted and included legislation to increase the main rate of tax to 25% from 1 April 2023. As this change was substantively enacted at the balance sheet date, deferred tax has been recognised at 25% in both the current and comparative periods shown in these financial statements:

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**ROWAN FINANCE LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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**8. Investment property**

	<b>Freehold investment property £</b>
<b>Valuation</b>	
At 1 January 2022	11,200,000
Loss on revaluation	(6,120,000)
<b>At 31 December 2022</b>	<b>5,080,000</b>

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream. The fair value of these properties is calculated based on a discounted cash flow methodology which is reliant on the assumptions used to estimate the future cash flows (see note 2.9).

Investment properties totalling £5,080,000 (2021: £11,200,000) are included in the financial statements at 31 December 2022 based on a valuation prepared by a firm of independent actuarial consultants at 31 December 2022 and taking account of the outcome of action taken by the Competition and Markets Authority and legislation substantively enacted at 31 December 2022.

In the prior year, the investment properties were valued based on an actuarial valuation carried out at 31 December 2017 as updated by the actuaries at 31 December 2021, primarily to take account of changes to future cashflows following undertakings agreed with the CMA.

The basis of the independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio over 150 years discounted by a risk free rate of return. The principal assumptions used in the independent actuarial valuation were:

- RPI basis for inflation assumptions - implied inflation vector taken from the Bank of England website;
- Residential property inflation - derived from market rental yields as found in propertydata.co.uk and the UK Government gilt curve;
- Risk free discount rate - a series of rates reflecting the UK government gilt yield curve as applicable to each cash flow date up to 40 years, with a fixed forward rate after 40 years;
- Incidence rates for lease extensions and the price charged - historic rates and FTT valuation. Proportion of ground rents retained post lease extension are based on recent experience. Where ground rents are retained post lease extension, ground rents are modelled over the original lease term only and assumed to be peppercorn thereafter;
- Taxation - no allowance has been made for taxation in projecting the future revenue flow.

The input to the model with the most significant impact on the valuation is the discount rate used. Per the 31 December 2022 actuarial valuations, on a group basis, a 50-basis point increase or decrease in this rate reduces or increases the valuation by 21% and 32% respectively.

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**ROWAN FINANCE LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**


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**8. Investment property (continued)**

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

	2022 £	2021 £
Historic cost	<u>1,416,563</u>	<u>1,416,563</u>

The company's investment property is subject to a debenture and charge in connection with a guarantee provided by the company in respect of the indebtedness of the holding company and other related parties (see note 14).

**9. Debtors**

	2022 £	2021 £
Trade debtors	<u>2,945</u>	<u>2,500</u>

**10. Creditors: Amounts falling due within one year**

	2022 £	2021 £
Corporation tax	6,238	6,238
Accruals and deferred income	54,380	51,528
	<u>60,618</u>	<u>57,766</u>

**11. Creditors: Amounts falling due after more than one year**

	2022 £	2021 £
Amounts owed to parent undertaking	<u>938,231</u>	<u>1,003,256</u>

The loan from the parent company is due for repayment in 2085. Interest is charged at the Barclays Bank Base Rate +2.5% (2021: 6 month Libor +2.4%).

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**12. Deferred tax**

	<b>2022 £</b>
At beginning of year	2,344,000
Credited to profit or loss	(1,539,592)
<b>At end of year</b>	<b>804,408</b>

The provision for deferred taxation is made up as follows:

	<b>2022 £</b>	<b>2021 £</b>
Deferred tax arising on assets measured at fair value	814,000	2,344,000
Tax losses available	(9,592)	-
	<b>804,408</b>	<b>2,344,000</b>

**13. Share capital and reserves**

Share capital

	<b>2022 £</b>	<b>2021 £</b>
<b>Allotted, called up and fully paid</b>		
2 (2021 - 2) Ordinary shares of £1.00 each	2	2

*Ordinary share rights*

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

**Reserves**

Reserves of the company represent the following:

*Profit and loss account*

Cumulative profit and loss net of distributions to owners.

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**ROWAN FINANCE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**14. Guarantees**

The company has given an unlimited guarantee in respect of some of the indebtedness of its holding company Dellmes GR Limited. The guarantee is supported by a debenture and a charge over the group's property holdings including the company's investment properties. At 31 December 2022 the total amount outstanding subject to that guarantee was £362m (2021: £361m).

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings' unpaid debts in this connection.

**15. Contingent liabilities**

*Building Safety Act 2022*

The directors are currently assessing the potential impact of the Building Safety Act 2022, which received Royal Assent on 28 April 2022. Given the nature of the legislation (see note 2.3) and the lack of clarity at this time as to the extent that specific buildings may require funding it is not currently clear what the likely probability or quantum of any potential liability to fund the remediation of building defects would be. Therefore, no provision has been included in these financial statements.

**16. Immediate parent company, ultimate parent company and ultimate controlling party**

The company's immediate parent company is Dellmes GR Limited which is the smallest group for which group accounts containing this company are prepared. Dellmes GR Limited is domiciled and incorporated in the UK. The ultimate UK parent company is Ramchez GR Limited, which is the largest group for which group accounts containing this company are prepared. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

**17. Related party transactions**

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

During the year the company was charged management fees of £7,697 (2021: £7,922) by Estates & Management Limited, a related party related by virtue of common control and common directors.