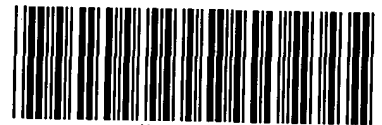


**Company Registration No: 06570726**

**THEOWAL LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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**THEOWAL LIMITED**

**DIRECTORS AND OFFICERS**

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**DIRECTORS**

W K Procter  
C C McGill

**SECRETARY**

P A Hallam

**REGISTERED OFFICE**

Molteno House  
302 Regents Park Road  
London  
N3 2JX

**AUDITOR**

RSM UK Audit LLP  
Chartered Accountants  
3<sup>rd</sup> Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

## **THEOWAL LIMITED**

### **DIRECTORS' REPORT**

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The directors submit their report and the audited financial statements for the year ended 31 December 2015.

#### **Principal Activities**

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

#### **Business review and future developments**

Following a refinancing in the year the directors are satisfied with the financial position of the company at the year end.

As discussed in the accounting policies on page 10, the company is party to a group cross collateralised funding structure along with a number of other companies under common control.

#### **Investment properties**

The investment properties have been valued by the directors at £49,950,821 (2014: £53,845,481). The resultant fair value loss in the year amounted to £3,845,480 (2014: £21,559,906 gain). Details of the investment properties are set out in note 7.

#### **Results and dividends**

The loss for the year amounted to £1,925,391 (2014: £17,232,651 profit). The directors do not recommend the payment of a dividend.

#### **Directors**

The following directors have held office since 1 January 2015:

W K Procter

C C McGill

M D Watson (resigned 12 April 2016)

## THEOWAL LIMITED

### DIRECTORS' REPORT (Continued)

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#### Statement of directors' responsibilities

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

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

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

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

#### Statement as to disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

#### Auditor

The auditor, RSM UK Audit LLP (Formerly Baker Tilly UK Audit LLP), Chartered Accountants, has indicated its willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. The directors have also taken the available exemption from the requirement to prepare a strategic report.

By order of the Board:



**W K Procter**  
Director

24 June 2016

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THEOWAL LIMITED**

We have audited the financial statements on pages 6 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 FRS 102 "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 more fully explained 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. 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

### **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 2015 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.

### **Emphasis of matter – Valuation of investment properties**

In forming our opinion on the financial statements which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 10 and in note 7 to the financial statements concerning the fair values of the company's investment properties, which are valued on an actuarial basis. The investment properties totalling £50m included in the financial statements at 31 December 2015 were valued by the directors having regard to a valuation carried out by a leading independent firm of actuaries at 31 December 2013 which valued the investment properties at £32.5m. As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the decrease in valuation of £3.8m in the current year when compared to the directors' valuation at 31 December 2014, which in turn had increased by £21.6m when compared to the actuarial valuation at 31 December 2013.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THEOWAL LIMITED (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 not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.



Colin Roberts FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, (formerly BAKER TILLY UK AUDIT LLP) Statutory Auditor  
Chartered Accountants  
Third Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

Date

28 June 2016

**THEOWAL LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Notes</b>	<b>2015 £</b>	<b>2014 £</b>
<b>Turnover</b>	2	694,100	662,062
Administrative expenses		(108,006)	(293,794)
Loss on sale of investment properties		(36,999)	-
<b>Operating profit</b>		<u>549,095</u>	<u>368,268</u>
Fair value (loss)/gain on investment property		(3,845,480)	21,559,906
Impairment of investment properties		-	(214,425)
Interest payable and similar charges	3	(222,006)	(241,098)
<b>(Loss)/Profit on ordinary activities before taxation</b>	4	<u>(3,518,391)</u>	<u>21,472,651</u>
Taxation	6	1,593,000	(4,240,000)
<b>(Loss)/Profit on ordinary activities after taxation</b>		<u>(1,925,391)</u>	<u>17,232,651</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>(1,925,391)</u></u>	<u><u>17,232,651</u></u>

**THEOWAL LIMITED**

**STATEMENT OF FINANCIAL POSITION (Company Registration Number: 06570726)**

**AT 31 DECEMBER 2015**

	<b>Notes</b>	<b>2015 £</b>	<b>2014 £</b>
<b>Fixed assets</b>			
Investment properties	7	49,950,821	53,845,481
<b>Current assets</b>			
Debtors	8	53,199	71,355
<b>Creditors: amounts falling due within one year</b>	9	(159,910)	(262,989)
<b>Net current liabilities</b>		(106,711)	(191,634)
<b>Total assets less current liabilities</b>		49,844,110	53,653,847
<b>Creditors: amounts falling due after more than one year</b>	10	(7,505,519)	(7,796,865)
<b>Provisions for liabilities</b>	11	(7,071,000)	(8,664,000)
<b>Net assets</b>		35,267,591	37,192,982
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Profit and loss account		35,267,590	37,192,981
<b>Total equity</b>		35,267,591	37,192,982

The financial statements on pages 6 to 19 were approved by the board of directors and authorised for issue on 24 June 2016 and are signed on its behalf by:

  
**W K Procter**  
 Director



**THEOWAL LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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	Share capital £	Profit and loss account £	Total £
<b>Balance at 1 January 2014</b>	1	19,960,330	19,960,331
Profit and total comprehensive income for the year	-	17,232,651	17,232,651
<b>Balance at 31 December 2014</b>	<u>1</u>	<u>37,192,981</u>	<u>37,192,982</u>
Loss and total comprehensive income for the year	-	(1,925,391)	(1,925,391)
<b>Balance at 31 December 2015</b>	<u><u>1</u></u>	<u><u>35,267,590</u></u>	<u><u>35,267,591</u></u>

# THEOWAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1. Accounting policies

##### Company information

Theowal Limited ("the Company") is a limited company domiciled and incorporated in England. The address of the Company's registered office and principal place of business is Moltano House, 302 Regents Park Road, London, N3 2JX. The principal activity of the company during the year was that of property investment.

#### 1.1 Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, and under the historical cost convention as modified to include investment properties at fair value.

#### 1.2 First time adoption of FRS 102

These financial statements are the first financial statements of Theowal Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Theowal Limited for the year ended 31 December 2014 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained earnings at the transition date.

#### 1.3 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 Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

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.

## **THEOWAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2015**

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##### **1.4 Going concern**

In preparing the accounts on the going concern basis the directors have given consideration to the company's loss for the year and the company's net current liabilities position. The loss for the year is due to the accounting treatment of revaluation gains and deficits on investment properties as without this charge the company would be profitable.

The company is a wholly owned subsidiary of Dellmes GR Limited who on 12 March 2015 entered into a new financing agreement, whereby £344.8m was borrowed from Rothesay Life Plc. The company's investment properties have been used to provide security as part of this new cross collateralised facility group. The new financing agreement settled all outstanding third party debts, claims and prior guarantees the company had given.

Prior to 12 March 2015 the company was part of a different cross collateralised funding structure.

As part of the refinancing arrangements ownership of the company was transferred from the company's previous parent undertaking to Dellmes GR Limited.

The new facility is a 65 year fully amortising facility and there are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet liabilities as they fall due.

The directors have assessed the operation of the new structure and have determined that the company has, or can expect to have, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

##### **1.5 Functional and presentational currencies**

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

##### **1.6 Turnover**

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

Rental income is recognised in accordance with the terms of the lease.

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.

##### **1.7 Investment properties**

The company's holdings of Freehold Reversionary Interests are classified as Investment Property and are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

These assets, as their name implies, represent interests held in the freehold land on which third party developers have built and sold long leasehold properties. As such these assets are more akin to financial investments, as they generate income in the form of annual ground rents along with other ancillary income streams.

## THEOWAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2015

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##### 1.7 Investment properties (continued)

Recognising the unusual nature of these investment properties and the lack of a regular market for such significant portfolios of such assets, which are in distinct contrast with the more regular "bricks and mortar" investment properties, 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 valuation of the entire Freehold Reversionary Interest portfolio is undertaken by the directors based on periodic actuarial valuations carried out by a leading firm of third party actuarial consultants.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The directors consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

The directors also recognise, given the unusual nature and lack of a regular market for such significant portfolios of assets, that these carrying values may not be realised should the company seek to dispose of any or all of the investment properties in a short period of time.

Further details are given in note 7.

##### 1.8 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 total comprehensive income 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 total comprehensive income 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 and deferred tax is charged or credited in profit or loss, 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.

# THEOWAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1.8 Taxation (continued)

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.

#### 1.9 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, in full, to all of 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**

###### *Trade debtors*

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

##### **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.

#### 1.10 Critical accounting estimates and areas of judgement

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**

The company makes 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.

**THEOWAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2015****1.10 Critical accounting estimates and areas of judgement (continued)***Valuation of investment properties*

The key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value. The company uses external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. The valuation of the company's investment property is inherently subjective, as it is made on the basis of valuation assumptions. Details of the principal assumptions applied in the valuation of the investment properties are set out in note 7.

*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.

**2. Turnover**

An analysis of the Company's turnover by class of business is as follows:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Rent receivable	535,312	538,279
Other income	158,788	123,783
	<u>694,100</u>	<u>662,062</u>

The company's turnover for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

**3. Interest payable and similar charges**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Interest on parent company loan	219,131	122,793
Parent company finance charges	2,875	118,305
	<u>222,006</u>	<u>241,098</u>

**4. (Loss)/Profit on ordinary activities before taxation**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
The profit on ordinary activities before taxation is stated after charging:		
- Auditor's remuneration	6,240	6,266

**5. Employees and directors**

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 2015 amounted to £71,801 (2014: £149,968) 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.

**THEOWAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

<b>6. Taxation</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax:</b>		
Movement on potential chargeable gain liability	(1,593,000)	4,240,000
<b>Total deferred tax</b>	(1,593,000)	4,240,000
<b>Total tax on profit on ordinary activities</b>	(1,593,000)	4,240,000

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 20% (2014: 21%). The differences are explained below:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
(Loss)/Profit on ordinary activities before tax	(3,518,391)	21,472,651
(Loss)/Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 20% (2014: 21%).	(703,678)	4,509,257
Effects of:		
Group relief	(119,442)	(38,922)
Chargeable gain adjustments	(260)	-
Movement on potential chargeable gain liability	(1,593,000)	4,240,000
Investment property fair value adjustment	777,532	(4,527,580)
Disallowable expenditure	995	57,245
Tax losses carried forward	44,853	-
<b>Tax (credit)/charge</b>	<b>(1,593,000)</b>	<b>4,240,000</b>

The company has estimated non-trading losses of £746,809 (2014: £522,540) available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery.

During the period, Finance Act 2015 was enacted and included legislation to reduce the main rate of corporation tax to 19% with effect from 1 April 2017, and by a further 1%, reaching 18% with effect from 1 April 2020. As this change was substantively enacted at the balance sheet date and no material amount is expected to unwind prior to 1 April 2020, deferred tax is recognised at 18% in the current period.

**THEOWAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

**7. Investment properties**

	<b>Freehold reversionary interests</b>	
	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Fair Value</b>		
As at 1 January 2015	53,845,481	32,500,000
Fair value (loss)/gain	(3,845,480)	21,559,906
Disposals	(49,180)	-
Impairment	-	(214,425)
<b>As at 31 December 2015</b>	<b>49,950,821</b>	<b>53,845,481</b>

The investment properties represent a portfolio of ground rents. The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at 31 December 2013. The directors have reviewed the actuarial valuation as at 31 December 2013 and based on market changes in the intervening period have determined their own valuation at 31 December 2015 and 31 December 2014.

The directors, in carrying out their valuations at 31 December 2015 and 31 December 2014, have reviewed the basis of the 31 December 2013 actuarial valuation and concluded that there have been changes in the key valuation drivers since the actuarial valuation. Accordingly the directors have assessed these changes to the valuation drivers and based on the sensitivities noted consider the updated valuation of the investment properties of £49,950,821 at 31 December 2015 (2014: £53,845,481) is appropriate for adoption for the purposes of these financial statements.

The basis of the most recent 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 the ARLA report and the UK Government gilt curve;
Risk free discount rate	- a series of rates reflecting the UK government gilt curve as applicable to each cash flow date.
Taxation	- no allowance has been made for taxation in projecting the future revenue flow.
Incidence rates for lease extensions and the price charged	- historic rates and FTT valuation.

The assumption with the most significant impact on the valuation is the discount rate used. A 100 basis point increase or decrease in this rate reduces or increases the valuation by 33% and 66% respectively and it is predominately the movement in this rate that has caused the change in value during the current and prior years.



**THEOWAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

**7. Investment properties (continued)**

If investment properties were stated on a historical basis rather than a fair value basis, the amounts would have been included as follows:

	<b>Freehold reversionary interests</b>	
	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Cost	8,658,834	8,665,835
	<u>          </u>	<u>          </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 13).

**8. Debtors**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Trade debtors	49,603	67,700
Prepayments and accrued income	3,596	3,655
	<u>53,199</u>	<u>71,355</u>

**9. Creditors: amounts falling due within one year**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Accruals and deferred income	159,910	262,989
	<u>          </u>	<u>          </u>

**10. Creditors: amounts falling due after more than one year**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Amount owed to parent undertaking	7,505,519	7,796,865
	<u>          </u>	<u>          </u>

The parent company loan is due for repayment in 2085. Interest is charged at Libor +2.4%.

**THEOWAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2015****11. Provision for liabilities**

	<b>Deferred taxation £</b>
1 January 2015	8,664,000
Reduction in provision in the year	(1,593,000)
31 December 2015	<u>7,071,000</u>

Provision for deferred tax liabilities recognised by the company is as follows:

	<b>2015 £</b>	<b>2014 £</b>
Assets measured at fair value	<u>7,071,000</u>	<u>8,664,000</u>

**12. Share capital and reserves****Share capital**

	<b>2015 £</b>	<b>2014 £</b>
Allotted, issued and fully paid: 1 ordinary share of £1	<u>1</u>	<u>1</u>

**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:

**Retained earnings**

Cumulative profit and loss net of distributions to owners

**13. 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 company's investment properties. The original loan amount drawn down subject to the guarantee was £344.8m. This amount has been increased by accrued interest payable, which is estimated at £13.1m at 31 December 2015.

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.

# THEOWAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 14. 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.

#### 15. 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.

Management fees of £71,801 (2014: £149,968) were charged to the company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.

#### 16. First time adoption of FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are given below.

##### Reconciliations of equity

	Note	1 January 2014 £	31 December 2014 £
Equity as previously reported under previous UK GAAP		24,384,331	45,856,982
Fair value gain on investment properties	A	-	-
Deferred tax on valuation of investment properties	A	(4,424,000)	(8,664,000)
Equity reported under FRS 102		<u>19,960,331</u>	<u>37,192,982</u>

**THEOWAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2015**

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**16. First time adoption of FRS 102 (continued)**

<b>Reconciliation of profit or loss</b>	<b>Note</b>	<b>31 December 2014 £</b>
Profit as previously reported under UK GAAP		(87,255)
Fair value gain on investment properties	<b>A</b>	21,559,906
Deferred tax on valuation of investment properties	<b>A</b>	(4,240,000)
Profit reported under FRS 102		<u>17,232,651</u>

**A** – During the year ended 31 December 2014, fair value loss on investment properties were recognised directly in reserves under previous UK GAAP. Under FRS 102, these fair value gains and losses are recognised in profit and loss, together with the associated deferred tax.