

Company Registration No: 06570726

THEOWAL LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



THEOWAL LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill

SECRETARY

P A Hallam

REGISTERED OFFICE

Berkeley House
304 Regents Park Road
London
N3 2JX

AUDITOR

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

THEOWAL LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 December 2018.

Principal Activities

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

Business review and future developments

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

The directors do not expect there to be significant future developments which could adversely impact the business, however, notice should be taken of the potential legislative changes disclosed in the critical accounting estimates and assumptions section of note 1.

Investment properties

The investment properties have been valued by the directors at £49,329,000 (2017: £51,411,000). The resultant fair value loss in the year amounted to £2,082,000 (2017: £7,099,000). Details of the investment properties are set out in note 7.

Results and dividends

The loss for the year amounted to £1,075,142 (2017: £5,400,555). The directors do not recommend the payment of a dividend (2017: the directors declared a dividend of £450,000).

Directors

The following directors have held office during the year:

W K Procter
C C McGill

THEOWAL LIMITED

DIRECTORS' REPORT (Continued)

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.

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.

Auditor

The auditor, RSM 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

06/06/2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THEOWAL LIMITED

Opinion

We have audited the financial statements of Theowal Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, 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 FRS 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Valuation of investment properties

We draw attention to the disclosures made in the accounting policies on page 11 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 £49.3m (2017: £51.4m) included in the financial statements at 31 December 2018 were valued by the directors, having regard to a 31 December 2017 interim valuation and sensitivity analysis performed by the independent actuaries, and market changes in the intervening period. As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the decrease in valuation of £2.1m in the current year when compared to the directors' valuation at 31 December 2017, which in turn had decreased by £7.1m when compared to the directors' valuation at 31 December 2016, and as detailed in note 7 where the impact of changes in the underlying assumptions are detailed. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THEOWAL LIMITED (continued)

Other information (continued)

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

We have nothing to report in 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 company's exemption from the requirement to prepare a Strategic Report or in preparing the Directors' 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.

Auditor's responsibilities for the audit of the financial statements

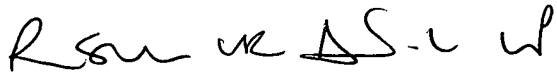
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THEOWAL LIMITED (continued)

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 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

11 June 2019

THEOWAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £ | 2017 £ |
|--|--------------|---------------------------|---------------------------|
| Turnover | 2 | 1,113,590 | 737,836 |
| Administrative expenses | | (121,083) | (57,018) |
| Operating profit | | <u>992,507</u> | <u>680,818</u> |
| Fair value loss on investment property | 7 | (2,082,000) | (7,099,000) |
| Interest payable and similar expenses | 3 | (254,181) | (236,180) |
| Loss before taxation | 4 | <u>(1,343,674)</u> | <u>(6,654,362)</u> |
| Taxation | 6 | 268,532 | 1,253,807 |
| Loss after taxation | | <u>(1,075,142)</u> | <u>(5,400,555)</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | <u><u>(1,075,142)</u></u> | <u><u>(5,400,555)</u></u> |

THEOWAL LIMITED

STATEMENT OF FINANCIAL POSITION (Company Registration Number: 06570726)

AT 31 DECEMBER 2018

| | Notes | 2018 £ | 2017 £ |
|---|--------------|-------------------|-------------------|
| Fixed assets | | | |
| Investment properties | 7 | 49,329,000 | 51,411,000 |
| Current assets | | | |
| Debtors | 8 | 124,505 | 47,712 |
| Creditors: amounts falling due within one year | 9 | (174,553) | (193,907) |
| Net current liabilities | | (50,048) | (146,195) |
| Total assets less current liabilities | | 49,278,952 | 51,264,805 |
| Creditors: amounts falling due in more than one year | 10 | (7,453,630) | (8,051,341) |
| Provisions for liabilities | 11 | (6,444,000) | (6,757,000) |
| Net assets | | 35,381,322 | 36,456,464 |
| Capital and reserves | | | |
| Called up share capital | 12 | 1 | 1 |
| Profit and loss account | | 35,381,321 | 36,456,463 |
| Total equity | | 35,381,322 | 36,456,464 |

The financial statements on pages 7 to 20 were approved by the board of directors and authorised for issue on 06/06/2019 and are signed on its behalf by:


W K Procter
 Director

THEOWAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Share capital £ | Profit and loss account £ | Total £ |
|--|-----------------------|---------------------------------|-------------------|
| Balance at 1 January 2017 | 1 | 42,307,018 | 42,307,019 |
| Loss and total comprehensive income for the year | - | (5,400,555) | (5,400,555) |
| Dividends payable | - | (450,000) | (450,000) |
| Balance at 31 December 2017 | <u>1</u> | <u>36,456,463</u> | <u>36,456,464</u> |
| Loss and total comprehensive income for the year | - | (1,075,142) | (1,075,142) |
| Balance at 31 December 2018 | <u>1</u> | <u>35,381,321</u> | <u>35,381,322</u> |

THEOWAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

Company information

Theowal 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.

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, 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.

1.2 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 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.

1.3 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 result for the year has predominantly arisen due to the accounting treatment of revaluation gains and deficits on investment properties, which go through the statement of comprehensive income under FRS102, and accounting for interest payable, which is understood and budgeted under the long-term financing arrangements described elsewhere in these financial statements.

The loan facility drawn down by the company's parent company, Dellmes GR Limited, in 2015 (see note 13) 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 for the foreseeable future.

The directors have assessed the operation of the financing 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.

THEOWAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1.4 Functional and presentational currencies

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

1.5 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 the 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.

Deed of variation fee income is recognised at the point that the underlying leases are varied.

1.6 Investment properties

The company's holding of investment property is comprised of freehold reversionary interests and these 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.

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

Further details are given in note 7.

1.7 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 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.

THEOWAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1.7 Taxation (continued)

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.

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.

1.8 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, 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.

THEOWAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1.8 Financial instruments (continued)

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.

1.9 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.

Valuation of investment properties

A 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 periodic external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the investment properties. However, the valuation of the group's investment property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate, the risk of which is heightened due to the potential legislative changes noted below.

In December 2017 the Department for Communities and Local Government, now known as the Ministry for Housing, Communities and Local Government (MHCLG) published the outcome of the 'Tackling unfair practices in the leasehold market' consultation it had conducted during the year.

Since this date the Government, through the MHCLG, is undertaking a series of further consultations on the residential property market with a focus on the legal framework surrounding the freehold and leasehold classes of property interests. Interim proposals have been put forward that, if implemented, may, over time, lead to a material reduction in the level of ground rent generated by the portfolio. In addition, the MHCLG has asked the Law Commission to advise on potential changes to the existing law with the purpose of making enfranchisement and lease extensions easier and cheaper for leaseholders. The implementation of any such changes could also materially reduce the level of income generated by the portfolio. Such changes, if implemented, would be a significant threat to the company.

1.9 Critical accounting estimates and areas of judgement (continued)

Valuation of investment properties (continued)

The directors are of the view that the proposed changes (as currently formulated) would be very damaging to the residential property market and against the interests of consumers and other property owners. The directors have engaged actively in the consultations and with other stakeholders and interested parties in order to convey the group's opposition to the current proposals. Recent public announcements by government and in symposiums held by the Law Commission, both have recognised that the proposals to make wholesale reforms retrospectively poses real problems with respect to the contravention of human rights legislation and the suggestion has been made that the reforms will affect future leases and not those already in existence. The directors are confident that the proposals in their current form are unlikely to be passed into law.

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

However, the likelihood of the changes, as proposed in their current form, coming in to effect is believed to be low, and the financial consequences of any changes are too uncertain to enable the directors to reasonably estimate the impact of such changes on those forecasts and 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 7.

Current taxation

In arriving at the tax charge for the year the directors have been required to consider legislation introduced by HMRC in respect of Corporate Interest Restrictions and restrictions on the use of losses from the 1st April 2017.

These rules are complex and may have a material impact on the group's tax charge. The assumptions made by the directors are as follows. The directors have assumed that a restriction arising from the corporate interest restriction calculation of £13.6m (2017: £3.4m Final restriction) will be applied within the Ramchez GR Limited group. Total interest restrictions of £17.0m have been made to date and are available to carry forward against future profits of the wider Euro Investments Overseas Incorporated Group. No deferred tax asset has been recognised in respect of the restricted corporate interest due to uncertainty of recovery.

Whilst the directors believe their assumptions to be reasonable, the complex nature of the rules and their impact on the wider Euro Investments Overseas Incorporated group could mean the assumptions prove to be inaccurate.

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.

THEOWAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Turnover

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

| | 2018 | 2017 |
|---|------------------|----------------|
| | £ | £ |
| Rent receivable | 570,281 | 563,731 |
| Deed of variation fees and legal fee income | 421,300 | - |
| Other income | 122,009 | 174,105 |
| | <u>1,113,590</u> | <u>737,836</u> |

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

During the year the company began the process of varying leases with "10-year doubling" rental uplift clauses to rental uplifts every 10 years calculated by reference to the RPI. As discussed in note 7, this has led to a reduction in the value of the assets as this fee income has been realised.

3. Interest payable and similar expenses

| | 2018 | 2017 |
|---------------------------------|----------------|----------------|
| | £ | £ |
| Interest on parent company loan | 251,117 | 233,430 |
| Finance costs recharged | 3,064 | 2,750 |
| | <u>254,181</u> | <u>236,180</u> |

4. Loss before taxation

| | 2018 | 2017 |
|--|--------------|--------------|
| | £ | £ |
| The loss before taxation is stated after charging: | | |
| - Auditor's remuneration | 6,600 | 6,000 |
| | <u>6,600</u> | <u>6,000</u> |

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 2018 amounted to £96,424 (2017: £96,765) 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 2018

6. Taxation

| | 2018 | 2017 |
|---|------------------|--------------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax | 55,661 | 11,193 |
| UK corporation tax refund for prior years | (11,193) | - |
| Total current tax | <u>44,468</u> | <u>11,193</u> |
| Deferred tax: | | |
| Movement on potential chargeable gain liability | (353,000) | (1,265,000) |
| Movement in deferred tax on allowable losses | 40,000 | - |
| Total deferred tax | <u>(313,000)</u> | <u>(1,265,000)</u> |
| Total tax on loss | <u>(268,532)</u> | <u>(1,253,807)</u> |

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the effective rate of corporation tax in the UK 19.00% (2017: 19.24%). The differences are explained below:

| | 2018 | 2017 |
|--|------------------|--------------------|
| | £ | £ |
| Loss before tax | (1,343,674) | (6,654,362) |
| Loss multiplied by the effective rate of corporation tax in the UK of 19.00% (2017: 19.24%). | <u>(255,298)</u> | <u>(1,280,554)</u> |
| Effects of: | | |
| Amounts relating to change in tax rate | - | 163,451 |
| Corporate interest restriction | 48,294 | - |
| Adjustments in respect of prior periods | (11,193) | - |
| Movement in deferred tax on allowable losses | 40,000 | - |
| Movement on potential chargeable gain liability | (353,000) | (58,071) |
| Group relief received without charge | - | (108,633) |
| Fair value loss on investment properties | 395,580 | - |
| Chargeable gains transferred to related parties | (77,254) | - |
| Tax losses (utilised)/carried forward | (55,661) | 30,000 |
| Tax credit | <u>(268,532)</u> | <u>(1,253,807)</u> |

The company has estimated non-trading losses of £153,663 (2017: £446,616), available to carry forward against future profits. A deferred tax asset has been recognised on the non-trading losses carried forward and has been used to reduce the provision for deferred tax in relation to the revaluation of investment properties (note 11).

THEOWAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7. Investment properties

| | Freehold reversionary interests | |
|--------------------------|--|-------------------|
| | 2018 | 2017 |
| | £ | £ |
| Fair Value | | |
| As at 1 January | 51,411,000 | 58,510,000 |
| Fair value loss | (2,082,000) | (7,099,000) |
| As at 31 December | 49,329,000 | 51,411,000 |

The investment properties represent a portfolio of freehold reversionary interests that generate ground rents as the principal income stream. The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at the 31 December 2013. A subsequent interim actuarial valuation was undertaken as at 31 December 2017. The directors have reviewed the interim actuarial valuation as at 31 December 2017 and based on market changes in the intervening period, along with other known changes, have determined their own valuations at 31 December 2018 and 31 December 2017.

The directors, in carrying out their valuation at 31 December 2018, have reviewed the basis of the 31 December 2017 interim actuarial valuation and concluded that there have been changes in the key valuation drivers since the interim actuarial valuation. Accordingly, the directors had assessed these changes to the valuation drivers and, based on the sensitivities noted in the 2017 interim valuation, consider the updated valuation of the investment properties of £49,329,000 at 31 December 2018 (2017: £51,411,000) 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. |
| Leases with "10-year doubling" rental uplift clauses | - all such leases have been rebased to uplift clauses linked to the RPI. Expected deed of variation fee receipts will offset reduced rental income. |

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FOR THE YEAR ENDED 31 DECEMBER 2018

7. Investment properties (continued)

The assumption with the most significant impact on the valuation is the discount rate used. Per the 31 December 2017 interim actuarial valuation, a 50-basis point increase or decrease in this rate reduces or increases the valuation by 20% and 29% respectively and it is predominately the movement in this rate that has caused the change in the underlying value during the current year.

During the year deed of variation fees have been received of £406,600, as shown in note 2, for varying certain leases with the "10-year doubling" rental uplift clauses to rental uplifts every 10 years calculated by reference to the RPI. As these amounts included within turnover have now been realised, the future expected income streams which form the basis of the investment property valuation have reduced by these amounts. This reduction in future expected fee income has contributed to the reduction in the valuation in the year.

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

| | Freehold reversionary interests | |
|------|--|-------------|
| | 2018 | 2017 |
| | £ | £ |
| Cost | 8,772,525 | 8,772,525 |

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

| | 2018 | 2017 |
|--------------------------------|----------------|---------------|
| | £ | £ |
| Trade debtors | 61,998 | 44,139 |
| Prepayments and accrued income | 59,086 | 3,573 |
| Corporation tax | 2,923 | - |
| Other debtors | 498 | - |
| | <u>124,505</u> | <u>47,712</u> |

9. Creditors: amounts falling due within one year

| | 2018 | 2017 |
|------------------------------|----------------|----------------|
| | £ | £ |
| Accruals and deferred income | 174,553 | 182,714 |
| Corporation tax | - | 11,193 |
| | <u>174,553</u> | <u>193,907</u> |

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10. Creditors: amounts falling due in more than one year

| | 2018 £ | 2017 £ |
|-----------------------------------|-------------------------|-------------------------|
| Amount owed to parent undertaking | 7,453,630 | 8,051,341 |
| | <u>7,453,630</u> | <u>8,051,341</u> |

The loan from the parent company is due for repayment in 2085. Interest is charged at 6-month Libor +2.4%.

11. Provision for liabilities

| | Deferred taxation £ |
|-----------------------------------|------------------------------------|
| 1 January 2018 | 6,757,000 |
| Decrease in provision in the year | (313,000) |
| 31 December 2018 | <u>6,444,000</u> |

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

| | 2018 £ | 2017 £ |
|---|-------------------------|-------------------------|
| Deferred tax arising on assets measured at fair value | 6,470,000 | 6,823,000 |
| Tax losses available | (26,000) | (66,000) |
| | <u>6,444,000</u> | <u>6,757,000</u> |

12. Share capital and reserves

| Share capital | 2018 £ | 2017 £ |
|--|-------------------------|-------------------------|
| Allotted, issued and fully paid: 1 ordinary share of £1 | <u>1</u> | <u>1</u> |

Ordinary share rights

The company's ordinary share, which carries no right to fixed income, carries 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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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 group's property holdings including the company's investment properties. At 31 December 2018 the total amount outstanding subject to that guarantee was £342.9m (2017: £371.0m). Interest accrued and included in this balance is estimated at £32.1m (2017: £26.2m).

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.

14. 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.

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 £96,424 (2017: £96,765) were charged to the company in the year by Estates & Management Limited, a company related by virtue of common control and common directors.

Legal fees of £14,700 (2017: £nil) were charged to the company by Estates & Management Limited, a company related by virtue of common control and directors, in relation to the deeds of variation processed in the year. £2,100 (2017: £nil) of this has been included in accruals and deferred income at the balance sheet date.