

FITZROY PLACE RESIDENTIAL LIMITED

Registered in England and Wales No: 08051442

**ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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Fitzroy Place Residential Limited

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Fitzroy Place Residential Limited

Directors, Officers and Other Information

Directors:

P A Ferrari
C-E Lawrence
T A Smithers
N J Gardiner
D A Diemer

Officer – Company Secretary

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Fund Manager

Aviva Investors Global Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Independent Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Registered Office

St Helen's
1 Undershaft
London
EC3P 3DQ

Company Number

Registered in England and Wales: No. 08051442

Fitzroy Place Residential Limited

Strategic Report for the year ended 31 December 2016

The Directors present their strategic report and the audited financial statements of Fitzroy Place Residential Limited (the “Company”) for the year ended 31 December 2016.

The Company

The Company was incorporated on 30 April 2012.

Principal Activity of the Company

The principal activity of the Company is to generate profits by undertaking the trade of residential property development and receive rental income from investment property. The Directors have reviewed the activities of the Company for the year and the position as at 31 December 2016 and consider them to be satisfactory.

Review of the Company’s business

The business review is required to contain financial and where applicable, non-financial key performance indicators (“KPIs”). The Directors consider that the key performance indicators for the Company’s business are post tax profit/(loss) and value of deposits received from pre sale of residential units. The profit for the financial year amounted to £52,959,893 (2015: £ 10,150,743). The value of deposits received from pre sale of residential units as at 31 December 2016 was £nil (At 31 December 2015: £86,752,851). 233 apartments of Fitzroy Place Residential Limited have been pre sold at year end, which represents 99.15% of all apartments available for sale.

As at 31 December 2016 a total of 233 apartments were handed over with two remaining apartments to be exchanged.

As at 31 December 2016 total loan of £94m was repaid to Aviva Life and Pensions UK Limited (31 December 2015: injection of £11m advances).

As at 31 December 2016 total loan of £94m was repaid to Kaupthing ehf (31 December 2015: injection of £11m advances).

On 21 November 2016, Kaupthing ehf transferred to Tower View Limited, the whole of its interest in and obligations in respect of the transfer interest, including the whole of the benefit of its partnership capital, its advances and deficit loans.

Future outlook

The Directors expect the level of activity to be maintained in the foreseeable future, with the focus on the completion of the remaining residential sales.

Principal risks and uncertainties

The key risks arising in the Company are market, credit, operational and liquidity risks which are discussed in more detail below.

The Aviva Group’s approach to risk and capital management

The Aviva Investors Global Services Limited (the “Fund Manager”) operates within the overall Aviva Group governance structure and priority framework. It also has its own established governance framework, with clear terms of reference for the Board and the Aviva Executive Committee and a clear organisation structure, with documented delegated authorities and responsibilities (largely through role profiles). The management of the Company’s risk falls within the mandate of the Fund Manager.

Fitzroy Place Residential Limited

Strategic Report for the year ended 31 December 2016 (continued)

Management of financial and non-financial risks

The Company's exposure to different types of risk is limited by the nature of its business as follows:

Market risk

The Company's exposure to market risk takes the form of property valuations, which have a direct impact on the value of investments. Market risk is managed by ongoing proactive asset management. The management of this risk falls within the mandate of the Fund Manager, which makes and manages investments on behalf of the Aviva Group.

Credit risk

The Company does not have a significant exposure to credit risk as receivables are mainly short-term trading items. The Company's investments are managed by agents who have responsibility for the prompt collection of amounts due.

The exposure to credit risk for the Company consists of:

	2016	2015
	£	£
Trade and other debtors (excluding lease incentives)	2,393,054	6,256,977
Cash at bank and in hand	4,050,668	18,117,094
	<u>6,443,722</u>	<u>24,374,071</u>

The Company manages this risk of tenant default by ensuring that a dedicated credit control team is engaged in collecting the advance quarterly rent from tenants as soon as it falls due. There is no significant concentration of credit risk with respect to tenants; the only tenant represents 100% of the Company's rental income for the year to 31 December 2016 (31 December 2015: 0%) and there is no tenant receivables balance as at 31 December 2016 (31 December 2015: £nil).

Cash at bank is held with financial institutions with good credit ratings.

Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems; or from external events. Details of the Aviva Group approach to operational risk are set out in the financial statements of the Fund Manager, which manages and administers the Company's activities.

Fitzroy Place Residential Limited

Strategic Report for the year ended 31 December 2016 (continued)

Liquidity risk

The Company does not have a significant exposure to liquidity risk. Liquidity risk is managed by ensuring that there is always sufficient headroom available to meet the working capital requirements of the business. The Company monitors the maturity of the Company's obligations as and when they fall due.

The maturity analysis of the Company's financial assets and liabilities as at 31 December 2016 was as follows:

	On demand	Less than 1 year	1 to 5 years	More than 5 years
	£	£	£	£
Financial assets				
Inventories (see note 14)	-	12,715,500	-	-
Trade and other debtors (see notes 12 and 13)	-	2,397,204	66,406	314,738
	<u>-</u>	<u>15,112,704</u>	<u>66,406</u>	<u>314,738</u>
Financial liabilities				
Loans payable (see note 16)	-	-	-	-
Trade and other creditors (see note 16)	-	13,044,999	-	-
	<u>-</u>	<u>13,044,999</u>	<u>-</u>	<u>-</u>

The maturity analysis of the Company's financial assets and liabilities as at 31 December 2015 was as follows:

	On demand	Less than 1 year	1 to 5 years	More than 5 years
	£	£	£	£
Financial assets				
Inventories (see note 14)	-	302,653,877	-	-
Trade and other debtors (see notes 12 and 13)	-	6,273,627	83,008	118,723
	<u>-</u>	<u>308,927,504</u>	<u>83,008</u>	<u>118,723</u>
Financial liabilities				
Loans payable (see note 16)	-	201,300,726	-	-
Trade and other creditors - (see note 16)	-	101,722,902	-	-
	<u>-</u>	<u>303,023,628</u>	<u>-</u>	<u>-</u>

Employees

The Company had no employees during the year (2015: none)

By order of the Board



D A Diemer

Director of Fitzroy Place Residential Limited

28 June 2017

Fitzroy Place Residential Limited

Directors' Report for the year ended 31 December 2016

The Directors present their annual report and the audited financial statements of Fitzroy Place Residential Limited (the "Company") for the year ended 31 December 2016.

Results and Dividends

The profit for the Company for 2016 was £52,959,893 (2015: £10,150,743).

During the year a dividend payment of £79,202,390 was approved by the Directors. (2015: £nil).

Directors

The current Directors of the Company and those in office throughout the year, except as noted, are as follows:

Peter Adrian Ferrari (appointed 18 January 2017)
Charles-Etienne Lawrence (appointed 18 January 2017)
Thomas Ashley Smithers (appointed 18 January 2017)
Neil Johnston Gardiner
David Anthony Diemer
Anna Sigridur Arnardottir (resigned 21 November 2016)
Bjorg Arnardottir (resigned 21 November 2016)
Johann Petur Reyndal (resigned 21 November 2016)
Michael Charles Luscombe (resigned 31 December 2016)

Going concern

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about future trading performance. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis preparing the financial statements.

Events after the reporting financial year

Events after the reporting financial year have been evaluated up to the date the audited financial statements were approved and authorised for issue by the directors. No events that would have a material impact on the financial statements have been identified.

Independent Auditor

It is the intention of the Directors to reappoint KPMG LLP as the auditor under the deemed appointment rules of Section 487 of the Companies Act 2006.

Disclosure of information to the independent auditor

Each person who was a Director of the Company on the date that this report was approved confirms that:

- (a) so far as the Director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the Company's auditor is unaware; and
- (b) each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Fitzroy Place Residential Limited

Statement of Directors' Responsibilities

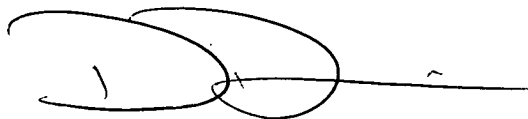
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

By order of the Board

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a horizontal line.

D A Diemer

Director of Fitzroy Place Residential Limited

28 June 2017

Fitzroy Place Residential Limited

Independent Auditor's Report to the Members of Fitzroy Place Residential Limited

We have audited the financial statements of Fitzroy Place Residential Limited (the "Company") for the year ended 31 December 2016 as set out on pages 9 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditor.

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 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and Directors' Report:

- we have not identified material misstatement in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Fitzroy Place Residential Limited

Independent Auditor's Report to the Members of Fitzroy Place Residential 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; and
- we have not received all the information and explanations we require for our audit.



Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30/06/2017

Fitzroy Place Residential Limited

Statement of Total Comprehensive Income For the year ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	5	413,613,358	29,537,230
Cost of sales	6	(334,377,394)	(20,742,360)
Property related expenses	7	<u>(798,010)</u>	<u>(230,623)</u>
Gross profit		78,437,954	8,564,247
Administrative expenses	8	(764,686)	(420,403)
Change in fair value of investment properties	11	<u>1,366,488</u>	<u>5,406,586</u>
Operating profit		79,039,756	13,550,430
Interest payable and similar charges	9	<u>(270,300)</u>	<u>(2,564,286)</u>
Profit on ordinary activities before taxation		78,769,456	10,986,144
Tax on profit on ordinary activities	10	(15,637,163)	(835,401)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>63,132,293</u>	<u>10,150,743</u>

All amounts reported in the Statement of Total Comprehensive Income for the years ended 31 December 2016 and 31 December 2015 relate to continuing operations.

The notes on pages 12 to 23 form an integral part of these financial statements.

Fitzroy Place Residential Limited

Statement of Changes in Equity For the year ended 31 December 2016

	Called up share capital £	Retained earnings £	Total £
At 1 January 2015	30,193,603	(5,350,026)	24,843,577
Profit for the financial year	-	10,150,743	10,150,743
Dividends during the year	-	-	-
At 31 December 2015	30,193,603	4,800,717	34,994,320
At 1 January 2016	30,193,603	4,800,717	34,994,320
Profit for the financial year	-	63,132,293	63,132,293
Dividends during the year	-	(79,202,390)	(79,202,390)
At 31 December 2016	30,193,603	(11,269,380)	18,924,223

The notes on pages 12 to 23 form an integral part of these financial statements.

Fitzroy Place Residential Limited

Statement of Financial Position As at 31 December 2016

	Notes	2016 £	2015 £
Non-current assets			
Investment properties	11	12,424,706	10,771,619
Debtors: amounts falling due after one year	12	<u>381,144</u>	<u>201,731</u>
		12,805,850	10,973,350
Current assets			
Inventories	14	12,715,500	302,653,877
Debtors: amounts falling due within one year	13	2,397,204	6,273,627
Cash at bank and in hand	15	<u>4,050,668</u>	<u>18,117,094</u>
		19,163,372	327,044,598
Creditors: amounts falling due within one year	16	<u>(13,044,999)</u>	<u>(303,023,628)</u>
Net current assets		6,118,373	24,020,970
Total assets less current liabilities		<u>18,924,223</u>	<u>34,994,320</u>
Net assets		<u>18,924,223</u>	<u>34,994,320</u>
Capital and reserves			
Represented by			
Called up share capital	18	30,193,603	30,193,603
Retained earnings	19	<u>(11,269,380)</u>	<u>4,800,717</u>
Total shareholders' assets		<u>18,924,223</u>	<u>34,994,320</u>

These audited financial statements were approved and authorised for issue by the Board of Directors on 28 June 2017 and were signed on its behalf by



D A Diemer

Director of Fitzroy Place Residential Limited

The notes on pages 12 to 23 form an integral part of these financial statements.

Fitzroy Place Residential Limited

Notes to the Financial Statements For the year ended 31 December 2016

1. General information

The Company is registered as a private company limited by its shares and its registered address is St Helen's, 1 Undershaft, London, EC3P 3DQ.

2. Statement of compliance

The individual financial statements of Fitzroy Place Residential Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

Basis of accounting

The Company's financial statements have been prepared under the historical cost convention, as modified by the revaluation of property investments and certain financial assets and liabilities measured at fair value through the Statement of Comprehensive Income and in accordance with Financial Reporting Standard 102 ("FRS 102") the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The functional currency of Fitzroy Place Residential Limited is considered to be pounds sterling (£) because that is the currency of the primary economic environment in which the Company operates.

The consolidated financial statements are also presented in pounds sterling.

Going concern

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about future trading performance. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis preparing the financial statements.

Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually by reference to a third party valuation report produced by independent appraisers, with any change recognised in the statement of comprehensive income.

Debtors and other current assets

Receivables are recognised and carried at the lower of their originally invoiced value and recoverable amount. Where the time value of money is material the receivables are carried at amortised cost. Provisions are made where there is objective evidence that the amount will not be recovered in full.

Inventories

Inventories are stated at the lower of cost and net realisable value and include materials, direct labour and where appropriate, an element of site overheads. Net realisable value is based on estimated selling price less additional costs of sale.

At the end of each reporting period, inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

3. Accounting policies (continued)

Current liabilities

Other payables are initially recognised and carried at transaction price plus attributable transaction costs. Where the time value of money is material the payables are carried at amortised cost.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

(ii) Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Cash at bank and in hand

Cash at bank and in hand comprises cash balances held with banks.

Cash flow

The Company has taken advantage of the exemption, under paragraph 1.12(b) of FRS 102, from preparing a statement of cash flows, on the basis that it is a wholly owned subsidiary of 2-10 Mortimer Street GP Limited and the Company's cash flows are included within the consolidated statement of cash flows of 2-10 Mortimer Street Limited Partnership.

Deposits

Deposits comprise monies received from the pre sale of residential units and are recognised at fair value. Deposits are derecognised when sales transactions are complete.

Loans and borrowings

Loans and borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost with interest being accrued cyclically as defined in the facility agreements. Borrowing costs have been capitalised and included in the carrying value of inventory.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

3. Accounting policies (continued)

Leases

Leases, where the lessor retains substantially all of the risks and rewards of ownership, are classified as operating leases. If the impact of straight-lining is material the income is amortised over the lease term. The same applies for receipts as lessors under operating leases (net of any incentives given to the lessee) which are credited to the statement of comprehensive income on a straight-line basis over the period of the lease if there is a material impact.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is more probable than not.

Contingent liabilities are disclosed if the future obligation is probable and the amount cannot be reasonably estimated.

Turnover

Turnover represents rental income, comprising of rent receivable and surrender premiums on investment properties leased out under operating lease agreements, arising in the United Kingdom net of VAT. Additionally, turnover also includes the proceeds on the sale of inventory, being residential flats.

Rent receivable is recognised on an accruals basis in the Statement of Comprehensive Income, over the period to which the income relates. Rent receivable also includes incentives given to tenants, such as rent-free periods, and if the impact of these is material to the financial statements they are amortised over the period of the lease. Surrender premiums are recognised on unconditional exchange of contracts.

Cost of sales

Cost of sales includes amounts invoiced in respect of facilities management services provided, and other expenses incurred on an accruals basis. Cost of sales also includes the cost of disposals of the residential flats. The cost of disposals is calculated on a proportionate amount based on the sales valuation of the whole residential development.

Administrative expenses

Administrative expenses include administration, finance and management expenses.

Taxation

Within the Company the current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material timing differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the timing differences can be utilised.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's Financial Statements requires the Director to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are considered to be relevant.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected.

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

In the process of applying the Company's accounting policies, the General Partner has made the following judgements which have the most significant effect on the amounts recognised in the Consolidated Financial Statements:

Valuation of investment properties

The fair value of the Company's investment properties represents an estimate by independent professional valuers of the open market value of that property as at the balance sheet date. The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. The valuers also make reference to market evidence of transaction prices for similar properties. Fair value disclosures in relation to investment property are given in Note 8.

Under section 11 of FRS 102, fair value is classified as one of the following:

Level A: The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

Level B: When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Level C: If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

For the valuation of investment property, we consider this a level C valuation. Where the fair value is disclosed elsewhere in the accounts, we consider this a level B valuation.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

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

Impairment of non-financial assets

Property and other non-financial assets are reviewed for impairment at each balance sheet date. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow.

5. Turnover

	2016	2015
	£	£
Rental income	260,296	193,380
Proceeds on sale of inventory*	413,251,130	29,343,850
Ground rent Income	101,932	-
	<u>413,613,358</u>	<u>29,537,230</u>

*233 apartments of Fitzroy Place Residential Limited have been pre sold at year end, which represents 99.15% of all apartments available for sale.

6. Cost of sales

	2016	2015
	£	£
Cost of the sale of inventory	334,377,394	20,742,360
	<u>334,377,394</u>	<u>20,742,360</u>

7. Property related expenses

	2016	2015
	£	£
Ground Rent	36,971	119,242
Electricity	2,969	14,098
Insurance	35,079	277
Marketing	-	1,470
Void Expenditure	722,991	95,536
	<u>798,010</u>	<u>230,623</u>

8. Administrative expenses

	2016	2015
	£	£
Asset management fees	695,256	378,087
Sundry expenses	9,134	27,170
Legal and professional fees	40,576	-
Auditor's fees - audit services	7,095	4,000
Taxation services	5,621	4,320
Operator fees	6,408	6,408
Other	596	418
	<u>764,686</u>	<u>420,403</u>

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

9. Interest payable and similar charges

	2016 £	2015 £
Interest payable and similar charges	270,300	2,564,286
	<u>270,300</u>	<u>2,564,286</u>

Unit sale deposits received are incurring 3% annual interest payable on completion of development.

10. Tax on profit on ordinary activities

The total tax charge comprises:

	2016 £	2015 £
Current tax:		
For this year	15,354,879	-
Prior year adjustments	-	-
Total current tax	<u>15,354,879</u>	<u>-</u>
Deferred tax:		
Origination and reversal of temporary differences	401,162	953,215
Changes in tax rates or tax laws	(118,878)	(117,814)
Total deferred tax	<u>282,284</u>	<u>835,401</u>
Tax charge on profit on ordinary activities	<u>15,637,163</u>	<u>835,401</u>

(a) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	2016 £	2015 £
Profit/(loss) on ordinary activities before tax	78,769,456	10,986,144
Tax calculated at standard UK corporation tax rate of 20% (2015:20%)	15,753,891	2,197,229
Adjustment to tax charge in respect of prior years	2,150	-
Disallowable expenses	-	897
Movement in unrecognised deferred tax asset	-	(1,244,911)
Changes in tax rates or tax laws	(118,878)	(117,814)
Total tax charge on ordinary activities for the year	<u>15,637,163</u>	<u>835,401</u>

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

10. Tax on profit on ordinary activities (continued)

(b) Deferred tax

(i) The balance at the year end comprises:

	2016	2015
	£	£
Unrealised losses on investments	(1,342,607)	(1,175,616)
Unused losses and tax credits	-	115,292
Net deferred tax liability	<u>(1,342,607)</u>	<u>(1,060,324)</u>

(ii) The movement in net deferred tax liability was as follows:

	2016	2015
	£	£
Net deferred tax liability at 1 January	(1,060,324)	(224,923)
Amounts charged to profit	(282,284)	(835,401)
	<u>(1,342,608)</u>	<u>(1,060,324)</u>

Factors affecting current and future tax charges

At 31 December 2016 the Company had the following unrecognised deferred tax assets (calculated at 20% (2015: 20%)) to carry forward indefinitely against future taxable income.

	2016	2015
	£	£
Balance as at 1 January	-	1,244,911
Prior year adjustment	-	-
Movement in the year	-	(1,244,911)
Balance as at 31 December	<u>-</u>	<u>-</u>

The above deferred tax asset has not been provided for as there is insufficient evidence under FRS 102 as to the availability of suitable taxable profits in the foreseeable future.

A reduction in the UK Corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

11. Investment properties

	2016 £	2015 £
Cost		
Opening balance	4,240,419	2,275,386
Capital costs	286,599	1,965,033
Cost at 31 December	4,527,018	4,240,419
Fair value adjustment		
Opening balance	6,531,200	1,124,614
Net gain on revaluation of investment property	1,366,488	5,406,586
Fair value adjustment at 31 December	7,897,688	6,531,200
Carrying amount at 31 December	12,424,706	10,771,619
Lease incentives		
Current		
Unamortised rent free incentives	4,150	4,150
Unamortised capital contributions	-	12,500
Non-current		
Unamortised rent free incentives	381,144	201,731
Gross asset value as 31 December	12,810,000	10,990,000

For the valuation of investment properties, we consider this a level C valuation.

The investment properties were valued to fair value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors, as at 31 December 2016 by CBRE, independent professionally qualified chartered surveyors. The valuer has significant experience in the location and class of the investment properties being valued.

The valuations performed by the independent valuer for financial reporting processes have been reviewed by the Fund Manager. Discussions of valuation processes and results are held between the Fund Manager and the independent valuers at least once every quarter. At each year end, the Fund Manager:

- Verifies all major inputs to the independent valuation report
- Assesses property valuation movements when compared to the prior year valuation report
- Holds discussions with the independent valuer

Investment properties are valued by using the investment method which involves applying capitalisation yields to current and estimated future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and rental values are based on comparable property and leasing transactions in the market, using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions, being assumptions applied by the valuers and information provided by the General Partner which is derived from the Company's financial and property management systems and is subject to the Company's overall control environment.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

12. Debtors: amounts falling due after one year

	2016	2015
	£	£
Lease incentives	381,144	201,731
Total debtors amounts falling due after one year	381,144	201,731

Fair value is considered carrying value, with time value of money considered immaterial.

13. Debtors: amounts falling due within one year

	2016	2015
	£	£
Trade and Other debtors*	583,034	5,587,179
Prepayments	-	63,767
VAT	1,507,493	606,031
Deposits received from pre sale of units	164,812	-
Intercompany loan from 2-10 Mortimer Street Limited Partnership	137,715	-
Lease Incentives	4,150	16,650
	2,397,204	6,273,627

*2015 Other debtors includes £5,403,841 which relate to the proceeds to be received from Clyde & Co (lawyers) in relation to 4 residential flats that were complete as at 31 December 2015 but had not been received at the year end. These proceeds have been settled during first quarter of 2016.

Fair value is considered carrying value, with time value of money considered immaterial.

14. Inventories

	2016	2015
	£	£
At 1 January	302,653,877	303,730,545
Capital costs	15,566,730	19,665,692
Cost on disposal of flats	(334,377,394)	(20,742,360)
Impairment of inventory	28,872,287	-
As at 31 December	12,715,500	302,653,877

Inventories are represented by two private apartments held for sale, a penthouse and ground floor flat.

The estimated Fair Value of the property is £13m which is in excess of carrying value of £12.7m.

15. Cash at bank and in hand

Company cash at bank and in hand is £4,050,668 (2015: £18,117,094) and includes £1,202,512 (2015: nil) of which is held by property managers.

Fair value is considered carrying value, with time value of money considered immaterial.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

16. Creditors: amounts falling due within one year

	2016	2015
	£	£
Interest on deposits	-	6,173,042
Amounts owed to related parties	616,439	96,124
Accruals	77,816	2,218,106
Taxation payable	7,537,486	1,060,324
Trade and other creditors	319,247	-
Service Charge Creditors	1,144,011	-
Construction cost provision	2,650,000	1,800,000
Agent fee provision	700,000	3,622,455
Aviva Life and Pensions UK Limited loan	-	94,165,639
Kaupthing ehf loan	-	94,165,639
Intercompany loan from 2-10 Mortimer Street Limited Partnership	-	12,969,448
Deposits received from pre sale of units	-	86,752,851
	<u>13,044,999</u>	<u>303,023,628</u>

Fair value is considered carrying value, with time value of money considered immaterial.

17. Provisions for liabilities

	2016	2015
	£	£
Balance at 1 January	5,422,455	24,903,856
Movement (debited)/credited to inventories	(2,072,455)	(19,481,401)
Balance at 31 December	<u>3,350,000</u>	<u>5,422,455</u>

18. Called up share capital

	2016	2015
	£	£
Allotted, called up and unpaid share capital of the Company at 31 December:		
Ordinary shares issued at £1 each	<u>30,193,603</u>	<u>30,193,603</u>

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

19. Reconciliation of movements in total shareholders' assets and reserves

	Called up share capital £	Retained earnings £	Total £
At 1 January 2016	30,193,603	4,800,717	34,994,320
Profit for the financial year	-	63,132,293	63,132,293
Dividends during the year	-	(79,202,390)	(79,202,390)
At 31 December 2016	<u>30,193,603</u>	<u>(11,269,380)</u>	<u>18,924,223</u>

20. Contingent liabilities and commitments

There were no contingent liabilities or commitments at the balance sheet date (2015: £nil).

21. Related party transactions

(a) Key management compensation

The members of the Board of Directors, who are considered to be the key management of the Company, are listed on page 1 of these financial statements. There are no accounts receivable from or payments due to members of the Board of Directors.

(b) Services provided to related parties

The Company did not provide services to any related parties during the year.

(c) Services provided by related parties

Asset management and operator fees of £695,256 (2015: £378,087) and £6,408 (2015: £6,408) respectively were incurred during the year. These fees were owed to 2-10 Mortimer Street Limited Partnership, whose General Partner, 2-10 Mortimer Street GP Limited, is the Company's immediate parent undertaking. Asset management and operator fees payable at the balance sheet date are £600,735 (2015: £94,522) and £3,204 (2015: £1,602) respectively. These are not secured and no guarantees were received in respect thereof.

At 31 December 2016 the Company had no loans outstanding due to 2-10 Mortimer Street Limited Partnership (2015: £12,969,448), as described above. 2-10 Mortimer Street Limited Partnership is entitled to any security interest at 7%.

(d) Amounts due from related parties

Amounts of £294,881 (2015: £173,372) are included in the Company's financial statements in respect of receivables from Fitzroy Place Management Company Limited. Transactions are in respect of service charge funding and project expenditure incurred.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2016

22. Financial Instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2016	2015
	£	£
Financial assets		
Measured at undiscounted amount receivable:		
Trade and other debtors - amounts falling due after one year (see note 12)	381,144	201,731
Trade and other debtors - amounts falling due within one year (see note 13)	2,397,204	6,273,627
	<u>2,778,348</u>	<u>6,475,358</u>
	2016	2015
	£	£
Financial liabilities		
Measured at undiscounted amount payable:		
Loans payable (see note 16)	-	201,300,726
Trade and other creditors - amounts falling due after one year	-	-
Trade and other creditors - amounts falling due within one year (see note 16)	13,044,999	101,722,902
	<u>13,044,999</u>	<u>303,023,628</u>

23. Parent and ultimate controlling undertaking

The immediate parent undertaking of the Company is 2-10 Mortimer Street GP Limited (the "General Partner"), a company incorporated in Great Britain and registered in England and Wales.

The General Partner is jointly owned by Norwich Union (Shareholder GP) Limited, a subsidiary of Aviva plc and Tower View (GP) Limited, a subsidiary of New Riverview Limited. No party has overall control.

Norwich Union (Shareholder GP) Limited is incorporated in the United Kingdom and is a wholly owned subsidiary of Aviva Life & Pensions UK Limited, whose ultimate controlling entity is Aviva plc.

Tower View (GP) Limited is incorporated in Jersey and is a wholly owned subsidiary of New Riverview Limited, who is the ultimate controlling entity.

Aviva plc is a company incorporated in the United Kingdom. New Riverview Limited is a company incorporated in Jersey. Copies of the financial statements of Aviva plc are publicly available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

24. Post balance sheet events

There are no significant balance sheet events to report.