

FITZROY PLACE RESIDENTIAL LIMITED

Registered in England and Wales No: 08051442

**REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**



Fitzroy Place Residential Limited

Contents

	Page
Directors, Officers and Other Information	1
Strategic Report	2-4
Directors' Report	5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7-8
Statement of Total Comprehensive Income	9
Statement of Changes in Equity	10
Statement of Financial Position	11
Notes to the Financial Statements	12-24

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 2017

The Directors present their strategic report and the audited financial statements of Fitzroy Place Residential Limited (the “Company”) for the year ended 31 December 2017.

The Company

The Company was incorporated on 30 April 2012.

Principal Activity of the Company

The principal activity of the Company is to receive rental income from investment property and sold residential apartments. The Directors have reviewed the activities of the Company for the year and the position as at 31 December 2017 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 loss for the financial year amounted to £72,992 (2016: restated profit of £61,412,293).

As at 31 December 2017 a total of 234 apartments were handed over with one remaining apartment to be exchanged. One apartment was exchanged during the year ended 31 December 2017. The final apartment (penthouse) was exchanged in March 2018.

On 21 November 2017, 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 2017 (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 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 2017 (31 December 2016: 100%) and there is no tenant receivables balance as at 31 December 2017 (31 December 2016: £nil). Ground rent represents rental income from several tenants hence there is no significant concentration of credit risk regards to this revenue stream.

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 2017 (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 2017 was as follows:

	1-12 months	1 to 5 years	Total
	£	£	£
Financial assets			
Trade and other debtors (see notes 12 and 13)	26,880,097	-	26,880,097
Cash at bank and in hand (see note 15)	3,446,111	-	3,446,111
	<u>30,326,208</u>	<u>-</u>	<u>30,326,208</u>
Financial liabilities			
Trade and other creditors (see note 16)	7,922,892	-	7,922,892
	<u>7,922,892</u>	<u>-</u>	<u>7,922,892</u>

The maturity analysis of the Company's financial assets and liabilities for the year ended 31 December 2016 were restated as follows:

	1-12 months	1-5 years	Total
	£	£	£
Financial assets			
Trade and other debtors (see notes 12 and 13)	28,496,746	-	28,496,746
Cash at bank and in hand (see note 15)	2,848,156	-	2,848,156
	<u>31,344,902</u>	<u>-</u>	<u>31,344,902</u>
Financial liabilities			
Trade and other creditors (see note 16)	2,079,697	-	2,079,697
	<u>2,079,697</u>	<u>-</u>	<u>2,079,697</u>

Employees

The Company had no employees during the year (2016: none).

By order of the Board



N J Gardiner

Director of Fitzroy Place Residential Limited

28 June 2018

St Helen's
1 Undershaft
London
EC3P 3DQ

Fitzroy Place Residential Limited

Directors' Report for the year ended 31 December 2017

The Directors present their annual report and the audited financial statements of Fitzroy Place Residential Limited (the "Company") for the year ended 31 December 2017.

Results and Dividends

The loss for the Company for 2017 was £72,992 (2016: restated profit of £61,412,293).

During the year a dividend payment of £1,800,000 was approved by the Directors. (2016: restated £52,793,717).

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

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 in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

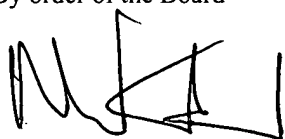
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board



N J Gardiner

Director of Fitzroy Place Residential Limited

28 June 2018

St Helen's
1 Undershaft
London
EC3P 3DQ

Fitzroy Place Residential Limited

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

Opinion

We have audited the financial statements of Fitzroy Place Residential Limited ("the company") for the year ended 31 December 2017, which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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

We have nothing to report in these respects.

Fitzroy Place Residential Limited

Independent Auditor's Report to the Directors of Fitzroy Place Residential Limited (continued)

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

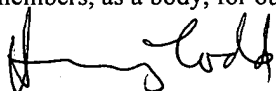
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.


A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

 June 2018

Fitzroy Place Residential Limited

Statement of Total Comprehensive Income For the year ended 31 December 2017

	Notes	2017 £	2016 £ Restated (Note 3)
Turnover	5	2,654,011	413,613,358
Cost of sales	6	(3,371,587)	(334,377,394)
Property related expenses	7	(40,602)	(798,010)
Gross (loss)/ profit		(758,178)	78,437,954
Administrative expenses	8	(118,768)	(764,686)
Impairment of inventory	14	(338,557)	-
Change in fair value of investment properties	11	1,110,498	(353,512)
Operating (loss)/ profit		(105,005)	77,319,756
Interest payable and similar charges	9	-	(270,300)
(Loss)/profit on ordinary activities before taxation		(105,005)	77,049,456
Tax credit/(charge) on ordinary activities	10	32,013	(15,344,761)
(Loss)/Profit after taxation		(72,992)	61,704,693
Other comprehensive income		-	-
Total comprehensive income/(loss) for the financial year		(72,992)	61,412,293

All amounts reported in the Statement of Total Comprehensive Income for the years ended 31 December 2017 and 31 December 2016 relate to continuing operations.

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

Fitzroy Place Residential Limited

Statement of Changes in Equity For the year ended 31 December 2017

	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 (as restated - note 3)	-	61,704,693	61,704,693
Dividends during the year (as restated – note 3)	-	(52,793,717)	(52,793,717)
At 31 December 2016 (as restated – note 3)	30,193,603	13,711,693	42,206,628
Loss for the financial year	-	(72,992)	(72,992)
Dividends during the year	-	(1,800,000)	(1,800,000)
At 31 December 2017	30,193,603	11,838,701	42,032,304

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

Fitzroy Place Residential Limited

Statement of Financial Position As at 31 December 2017

	Notes	2017 £	2016 £ Restated (Note 3)
Non-current assets			
Investment properties	11	11,834,307	10,704,706
Debtors: amounts falling due after one year	12	<u>352,091</u>	<u>368,692</u>
		12,186,398	11,073,398
Current assets			
Inventories	14	10,584,000	12,715,500
Debtors: amounts falling due within one year	13	27,877,014	30,020,841
Cash at bank and in hand	15	<u>3,446,111</u>	<u>2,848,156</u>
		41,907,125	45,584,497
Creditors: amounts falling due within one year	16	<u>(10,822,227)</u>	<u>(11,702,392)</u>
Net current assets		31,084,898	33,882,105
Total assets less current liabilities		42,271,296	44,955,503
Creditors: amounts falling due in more than one year	18	<u>(1,238,992)</u>	<u>(1,050,207)</u>
Net assets		42,032,304	43,905,296
Capital and reserves			
Represented by			
Called up share capital	19	30,193,603	30,193,603
Retained earnings		<u>11,838,701</u>	<u>13,711,693</u>
Total shareholders' assets		42,032,304	43,905,296

These audited financial statements were approved and authorised for issue by the Board of Directors on 28 June 2018 and were signed on its behalf by



N J Gardiner

Director of Fitzroy Place Residential Limited

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

Fitzroy Place Residential Limited

Notes to the Financial Statements For the year ended 31 December 2017

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.

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.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2017

3. Accounting policies (continued)

Inventories (continued)

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.

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.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2017

3. Accounting policies (continued)

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.

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 probable 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, which is recognised on completion of contracts.

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.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2017

3. Accounting policies (continued)

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.

Prior year adjustments

When preparing the current year financial statements the Company identified that it had recorded an incorrect investment property valuation at 31 December 2016. This was an administration error in extracting an incorrect figure from the external valuation report. The impact of correcting this at and for the year ended 31 December 2016 is to reduce the investment property carrying value and the revaluation gain from investment properties by £1,720,000. The deferred tax liability relating to unrealised gains on the investment property decreased by £292,400. The net impact on profit before tax, retained earnings and shareholders' equity was a decrease of £1,427,600. There is no impact of this adjustment to the financial position, profit or loss or shareholders' equity as at, or prior to, 1 January 2016.

In addition, in preparing the current year financial statements the Company identified that an amount of £26,408,673 was incorrectly recognised as a distribution in the period to 31 December 2016 when it actually represented payment of expenses on behalf of a related party. The impact of correcting this as at 31 December 2016 is an increase of retained earnings and receivables by this amount. There is no impact of this adjustment to the financial position, profit or loss or shareholders' equity as at, or prior to, 1 January 2016.

Certain items in the prior period have been represented in order to be consistent with current year presentation. There is no impact of these adjustments on net assets, equity or profit/loss for the prior year.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's Financial Statements requires the Directors 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 Directors have made the following judgements which have the most significant effect on the amounts recognised in the Financial Statements:

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2017

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

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 11.

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

Level 1: 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 2: 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 3: 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 3 valuation. Where the fair value is disclosed elsewhere in the accounts, we consider this a level 2 valuation.

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.

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2017

5. Turnover

	2017 £	2016 £
Rental income	259,855	260,296
Proceeds on sale of inventory*	2,214,641	413,251,130
Ground rent Income	179,515	101,932
	<u>2,654,011</u>	<u>413,613,358</u>

*1 apartment was sold during the year ended 31 December 2017 (2016: 233 apartments)

6. Cost of sales

	2017 £	2016 £
Cost of the sale of inventory	3,371,587	334,377,394
	<u>3,371,587</u>	<u>334,377,394</u>

7. Property related expenses

	2017 £	2016 £
Ground Rent	-	36,971
Electricity	-	2,969
Insurance	-	35,079
Marketing	36,544	-
Void Expenditure	4,058	722,991
	<u>40,602</u>	<u>798,010</u>

8. Administrative expenses

	2017 £	2016 £
Asset management fees	57,277	695,256
Sundry expenses	433	9,730
Legal and professional fees	53,510	40,576
Auditor's fees - audit services	5,333	7,095
Taxation services	1,780	5,621
Operator fees	435	6,408
	<u>118,768</u>	<u>764,686</u>

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2017

9. Interest payable and similar charges

	2017	2016
	£	£
Interest payable and similar charges	-	270,300
	<u>-</u>	<u>270,300</u>

Unit sale deposits received during the year ended 31 December 2016 incurred 3% annual interest payable on completion of development. No interest was charged on unit deposit received in the year.

10. Tax on profit on ordinary activities

The total tax charge comprises:

	2017	2016
	£	£
		(Restated – Note 3)
Current tax:		
For this year	-	15,354,878
Prior year adjustments	(220,798)	-
Total current tax	<u>(220,798)</u>	<u>15,354,878</u>
Deferred tax:		
Origination and reversal of temporary differences	188,785	108,761
Changes in tax rates or tax laws	-	(118,878)
Total deferred tax	<u>188,785</u>	<u>(10,117)</u>
Tax (credit)/charge on (loss)/profit on ordinary activities	<u>(32,013)</u>	<u>15,344,761</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:

	2017	2016
	£	£
		(Restated – Note 3)
(Loss)/profit on ordinary activities before tax	(105,005)	77,049,456
Tax (credit)/charge calculated at standard UK corporation tax rate of	(20,213)	15,409,891
Adjustment to tax charge in respect of prior years	(12,897)	2,150
Disallowable expenses	9,869	-
Tax losses carried back	(8,772)	-
Changes in tax rates or tax laws	-	(67,278)
Total tax (credit)/charge on ordinary activities for the year	<u>(32,013)</u>	<u>15,344,762</u>

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2017

10. Tax on profit on ordinary activities (continued)

(b) Deferred tax

(i) The balance at the year end comprises:

	2017 £	2016 £ (Restated – Note 3)
Unrealised gains on investments	(1,238,992)	(1,050,207)
Unused losses and tax credits	-	-
Net deferred tax liability	<u>(1,238,992)</u>	<u>(1,050,207)</u>

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

	2017 £	2016 £ (Restated – Note 3)
Net deferred tax liability at 1 January	(1,050,207)	(1,060,324)
Amounts charged to profit	(188,785)	10,117
	<u>(1,238,992)</u>	<u>(1,050,207)</u>

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 2017

11. Investment properties

	2017 £	2016 £ Restated (Note 3)
Cost		
Opening balance	4,527,018	4,240,419
Capital costs	19,103	286,599
Cost at 31 December	4,546,121	4,527,018
Fair value adjustment		
Opening balance	6,177,688	6,531,200
Net gain / (loss) on revaluation of investment property	1,110,498	(353,512)
Fair value adjustment at 31 December	7,288,186	6,177,688
Carrying amount at 31 December	11,834,307	10,704,706
Lease incentives		
Current		
Unamortised rent free incentives	16,602	16,602
Non-current		
Unamortised rent free incentives	352,091	368,692
Gross asset value as 31 December	12,203,000	11,090,000

For the valuation of investment properties, we consider this a level 3 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 2017 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 2017

12. Debtors: amounts falling due after one year

	2017 £	2016 £
Lease incentives	352,091	368,692
Total debtors amounts falling due after one year	352,091	368,692

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

13. Debtors: amounts falling due within one year

	2017 £	2016 £ Restated (Note 3)
Trade and other debtors	47,368	583,034
Cash held by managing agent	424,056	1,202,512
VAT	14,397	1,507,493
Corporation tax refund due from HMRC	965,918	-
Deposits received from pre sale of units	-	164,812
Intercompany loan to 2-10 Mortimer Street Limited Partnership	26,408,673	26,546,388
Lease incentives	16,602	16,602
	27,877,014	30,020,841

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

14. Inventories

	2017 £	2016 £
At 1 January	12,715,500	302,653,877
Capital costs	1,412,332	15,566,730
Cost on disposal of flats	(3,205,275)	(334,377,394)
Impairment of inventory	(338,557)	28,872,287
As at 31 December	10,584,000	12,715,500

Inventories are represented by one private apartment held for sale, a penthouse.

The estimated Fair Value of the property is £10.8m less estimated costs to sell of £216,000.

In April 2018, the Company disposed of the final property for a gross value of £11m. Expenses are estimated to be in the range of £335k.

15. Cash at bank and in hand

Company cash at bank and in hand is £3,446,111 (2016: £2,848,156).

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2017

16. Creditors: amounts falling due within one year

	2017 £	2016 £
Accruals and deferred income	25,790	77,816
Corporation tax payable	-	6,194,879
Trade and other creditors	16,596	24,366
Service charge creditors	407,344	1,144,011
Construction and agent fee provision (note 17)	2,639,786	3,350,000
Amounts owed to related parties	15,375	616,439
Intercompany-Fitzroy Place Management Co Ltd	312,715	294,881
Intercompany with 2-10 Mortimer Street LP	464,621	-
Intercompany with 2-10 GP Ltd	6,940,000	-
	<u>10,822,227</u>	<u>11,702,392</u>

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

17. Provisions for liabilities

	2017 £	2016 £
Balance at 1 January	3,350,000	5,422,455
Movement recognised in inventories	(710,214)	(2,072,455)
Balance at 31 December	<u>2,639,786</u>	<u>3,350,000</u>

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

	2017 £	2016 £ (Restated – Note 3)
Deferred tax liability	1,238,992	1,050,207
	<u>1,238,992</u>	<u>1,050,207</u>

19. Called up share capital

	2017 £	2016 £
Allotted, called up and unpaid share capital of the Company at 31 December:		
30,193,603 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 2017

20. Contingent liabilities and commitments

There were no contingent liabilities or commitments at the balance sheet date (2016: £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 £57,277 (2016: £695,256) and £435 (2016: £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 £15,261 (2016: £600,735) and £114 (2016: £3,204) respectively. These are not secured and no guarantees were received in respect thereof.

(d) Amounts due to and from related parties

Amounts of £26,408,673 (2016: restated £26,546,388) are included in the Company's financial statements in respect of receivables from 2-10 Mortimer Street Limited Partnership for payment of expenses on behalf of the related party.

Amounts of £312,715 (2016: £294,881) are included in the Company's financial statements in respect of payables to Fitzroy Place Management Company Limited. Transactions are in respect of service charge funding and project expenditure incurred. Amounts of £464,621 (2016: £616,439) were also owed to 2-10 Mortimer Street Limited Partnership at the year end, which relates to recharged expenditure. Amounts of £6,940,000 (2016: £nil) were owed to 2-10 GP Limited at the year end, which relates to corporation tax payments made on behalf of the Company.

22. Financial Instruments

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

	2017	2016
	Restated - Note 3	
	£	£
Financial assets		
Measured at undiscounted amount receivable:		
Trade and other debtors - amounts falling due within one year (see note 13)	26,880,097	28,496,746
Cash at bank and in hand (see note 15)	3,446,111	2,848,156
	<u>30,326,208</u>	<u>31,344,902</u>

Fitzroy Place Residential Limited

Notes to the Financial Statements (continued) For the year ended 31 December 2017

22. Financial Instruments (continued)

	2017	2016
	£	£
Financial liabilities		
Measured at undiscounted amount payable:		
Trade and other creditors - amounts falling due within one year (see note 16)	<u>8,141,276</u>	<u>2,079,697</u>
	<u>8,141,276</u>	<u>2,079,697</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.