Company Registration No: 09371683

DELLMES GR LIMITED

GROUP REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

DELLMES GR LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill

SECRETARY

P A Hallam

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London
N3 2JX

AUDITOR

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

The directors submit their report and the audited financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the Company during the year was that of acting as a holding company for subsidiary companies engaged in property investment.

Business review and future developments

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

Investment properties

The group's investment properties have been valued by the directors at £955,330,000 (2015: £819,303,163).The resultant fair value gain in the year amounted to £136,081,372 (2015: £60,976,789 loss). Details of the investment properties are set out in note 8.

Properties held for resale

The properties held for resale, held as stock and included in the financial statements at cost of £2,451,437 (2015: £2,451,437) were valued by the directors at £13,140,000 at 31 December 2016 (2015: £11,300,000). The basis of that valuation was the same as for investment properties, as set out in note 8.

Results and dividends

The group's profit for the year amounted to £116,432,533 (2015: £40,401,467 loss). The directors do not recommend the payment of a dividend.

Directors

The following directors have held office during the year:

W K Procter
C C McGill

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the group for that period.

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

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditor

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

Auditor

The auditor, RSM UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office. .

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

By order of the Board:

W K Procter
Director
15 June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DELLMES GR LIMITED

Opinion on financial statements
We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:
- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Valuation of investment properties
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 13 and in note 8 to the financial statements concerning the fair values of the group's investment properties which are valued on an actuarial basis. The investment properties totalling £955.3m included in the financial statements at 31 December 2016 were valued by the directors having regard to actuarial valuations carried out by a leading independent firm of actuaries during 2013. As indicated in the notes, considerable volatility exists in these valuations as demonstrated by the increase in valuation of £136.1m in the current period (2015: decrease of £61.0m) since the date of acquisition of the investment properties by the group, and as detailed in note 8 where the impact of a small change in the underlying assumption is detailed. As the fair value uplift has a significant impact on the net assets of the subsidiary entities, there is also an impact on the carrying value of the value of the fixed asset investments in the company accounts, see note 9.

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Respective responsibilities of directors and auditor
As more fully explained in the Directors' Responsibilities Statement set out on pages 2 to 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DELLMES GR LIMITED

Respective responsibilities of directors and auditor (Continued)

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

Colin Roberts FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN
Date 16 June 2017

DELLMES GR LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	2	9,642,174	9,868,042
Administrative expenses		(1,175,585)	(1,103,721)
Profit /(Loss) on sale of investment properties		505	(527,069)
Operating profit		8,467,094	8,237,252
Fair value gain / (loss) on investment properties	8	136,081,372	(60,976,789)
Interest receivable and similar income	3	1,318	261,580
Interest payable and similar charges	4	(13,649,251)	(13,770,388)
Profit /(Loss) on ordinary activities before taxation	5	130,900,533	(66,248,345)
Taxation	7	(14,468,000)	25,846,878
Profit /(Loss) on ordinary activities after taxation		116,432,533	(40,401,467)
Other comprehensive income		-	-
Total comprehensive income for the year		116,432,533	(40,401,467)

DELLMES GR LIMITED **(Company Registration Number: 09371683)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
Fixed assets			
Investment properties	8	955,330,000	819,303,163
		955,330,000	819,303,163
Current assets			
Stock	10	2,451,437	2,451,437
Debtors due within one year	11	627,114	1,229,386
Debtors due after one year	11	1,981,875	2,006,793
Cash at bank and in hand		16,808,499	16,102,008
		21,868,925	21,789,624
Creditors: amounts falling due within one year	12	(11,020,075)	(12,246,228)
Net current assets		10,848,850	9,543,396
Total assets less current liabilities		966,178,850	828,846,559
Creditors: amounts falling after one year	13	(357,386,215)	(350,954,457)
Provisions for liabilities	14	(131,089,000)	(116,621,000)
Net assets		477,703,635	361,271,102
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account		680,042,800	563,610,267
Merger reserve		(202,340,165)	(202,340,165)
Total equity		477,703,635	361,271,102

The financial statements on pages 6 to 26 were approved by the board of directors and authorised for issue on 15 June 2017 and are signed on its behalf by:

W K Procter
Director

DELLMES GR LIMITED (Company Registration Number: 09371683)

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
Fixed assets			
Investments	9	690,278,627	575,126,540
Current assets			
Cash at bank and in hand		16,808,499	16,102,008
Debtors due within one year	11	96,191	180,282
Debtors due after one year	11	136,940,425	131,055,184
		153,845,115	147,337,474
Creditors: amounts falling due within one year	12	(8,971,444)	(10,201,449)
Net current assets		144,873,671	137,136,025
Total assets less current liabilities		835,152,298	712,262,565
Creditors: amounts falling after one year	12	(357,448,663)	(350,991,461)
Provisions for liabilities	13	(82,694,501)	(66,831,507)
Net Assets		395,009,134	294,439,597
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and loss account		(8,735,604)	(10,016,048)
Fair value reserve		403,743,738	304,454,645
Total equity		395,009,134	294,439,597

The profit for the financial year dealt within the financial statements of the parent company was £1,208,444 (2015: £10,016,048 loss).

The financial statements on pages 6 to 26 were approved by the board of directors and authorised for issue on 15 June 2017 and are signed on its behalf by:

W K Procter
Director

DELLMES GR LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

GROUP STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Merger reserve £	Profit and Loss account £	Total £
Balance at 1 January 2015	1,000	(202,340,165)	604,011,734	401,672,569
Loss for the period and total comprehensive income	-	-	(40,401,467)	(40,401,467)
Balance at 31 December 2015	1,000	(202,340,165)	563,610,267	361,271,102
Profit for the year and total comprehensive income	-	-	116,432,533	116,432,533
Balance at 31 December 2016	**1,000**	**(202,340,165)**	**680,042,800**	**477,703,635**

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Fair value reserve £	Profit and Loss account £	Total £
Balance at 2 January 2015	-	-	-	-
Loss for the period	-	-	(10,016,048)	(10,016,048)
Other comprehensive income, net of tax:- Fair value gains on subsidiary investments	-	304,454,645	-	304,454,645
Transactions with owners in their capacity as owners:- Issue of shares	1,000	-	-	1,000
Balance at 1 January 2016	1,000	304,454,645	(10,016,048)	294,439,597
Profit for the year	-	-	1,280,444	1,280,444
Other comprehensive income, net of tax:- Fair value gains on subsidiary investments	-	99,289,093	-	99,289,093
Balance at 31 December 2016	**1,000**	**403,743,738**	**(8,735,604)**	**395,009,134**

DELLMES GR LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
OPERATING ACTIVITIES			
Cash generated from operations	17	14,299,381	11,001,644
NET CASH FROM OPERATING ACTIVITIES		14,299,381	11,001,644
INVESTING ACTIVITIES			
Interest received		1,318	5,631
Acquisition of subsidiaries		-	(203,840,387)
Acquisition of related party debt		-	(129,569,477)
Proceeds from sale of investment properties		55,040	469,779
Proceeds from sale of investments		-	100
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		56,358	(332,934,354)
FINANCING ACTIVITIES			
Interest paid		(13,649,251)	(659,391)
Repayment of borrowings		-	(4,691,124)
Drawdown of borrowings		-	344,800,000
Settlement of fixed to variable interest rate swaps		-	(1,374,405)
NET CASH USED IN / FROM FINANCING ACTIVITIES		(13,649,251)	338,075,080
NET INCREASE IN CASH AND CASH EQUIVALENTS		706,488	16,142,370
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,102,008	(40,362)
CASH AND CASH EQUIVALENTS AT END OF YEAR		16,808,496	16,102,008

1. Accounting policies

Company information

Dellmes GR Limited is a limited company domiciled and incorporated on 2 January 2015 in England & Wales. The address of the Company's registered office and principal place of business is Molteno House, 302 Regents Park Road, London, N3 2JX. The principal activity of the group during the year was that of property investment.

1.1 Basis of accounting

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

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Ramchez GR Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). During the 2015 year the Group undertook a refinancing and restructuring exercise. As a result of this combination the ultimate equity holder of the undertaking remained the same and the rights of the equity holder relative to the others are unchanged. As a result of this the Directors adopted the merger accounting method in accounting for the business combination

Under the merger accounting method the results of all the combining entities were brought into the consolidated financial statements of the parent undertaking from the beginning of the year in which the combination occurred, adjusted so as to achieve uniformity of accounting policies. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

1.3 Company reduced disclosure

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

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

The financial statements of the company are consolidated into these financial statements.

1.4 Company statement of comprehensive income

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's profit for the period was £1,280,444 (2015: £10,016,048 loss) and total comprehensive income for the period was £100,569,537 (2015: £294,438,597).

1.5 Going concern

In preparing the accounts on the going concern basis the directors have given consideration to the Group and the Company's result for the period and the group and the Company's net asset position. The result for the period has predominantly arisen due to the accounting treatment of revaluation gains and deficits on investment properties, which go through the Statement of Comprehensive Income under FRS102 and accounting for interest payable, which is understood and budgeted under the long term financing arrangements described elsewhere in these financial statements.

The loan facility drawndown in 2015 is a 65 year fully amortising facility and there are reserves in place to ensure that the necessary liquidity is retained in the structure so that funds are available to meet liabilities as they fall due.

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

1.6 Functional and presentational currencies

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

1.7 Turnover

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

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

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

1.8 Investment properties

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

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

Recognising the unusual nature of these investment properties and the lack of a regular market for such significant portfolios of such assets, which are in distinct contrast with the more regular "bricks and mortar" investment properties, the directors are of the opinion that the best approximation to fair value for these properties is provided by a discounted cash flow valuation of the income streams generated by these assets. The valuation of the entire Freehold Reversionary Interest portfolio is undertaken by the directors based on periodic actuarial valuations carried out by a leading firm of third party actuarial consultants.

The directors also recognise, given the unusual nature and lack of a regular market for such significant portfolios of assets, that these carrying values may not be realised should the company seek to dispose of any or all of the investment properties in a short period of time. Further details are given in note 8.

1.9 Fixed asset investments

In the separate accounts of the Company, investments in subsidiaries are initially measured at the cost of acquisition and subsequently measured at fair value. Changes in fair value are recognised in other comprehensive income.

The fair value of investments in subsidiary undertakings is measured having regard to the net asset value of those subsidiaries. The subsidiary undertakings are predominantly investment property companies and the properties are valued in accordance with the accounting policy stated above and using assumptions and valuation methodologies as set out in note 8. The directors therefore believe this is a suitable approximation to fair value.

1.10 Stocks

Properties acquired with a view to resale are identified as trading stock and stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises the cost of acquisition including directly attributable fees and expenses, excluding finance costs which are written off to the profit and loss account.

1.11 Taxation

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

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

1.11 Taxation

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

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

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

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

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

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

1.12 Financial instruments

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

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

Financial assets

Debtors

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

1.12 Financial instruments (continued)

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Creditors

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

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Financial liabilities and equity (continued)

Borrowings

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

Derecognition of financial assets and liabilities

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

1.13 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

1.13 Critical accounting estimates and areas of judgement (continued)

Fixed asset investments

Fixed asset investments in subsidiaries are measured having a regard to the value of the net assets of those subsidiaries. These in turn are subject to key accounting estimates as noted below.

Valuation of investment properties

The key accounting estimate in preparing these financial statements relates to the carrying value of the investment property which is stated at fair value, as valued by the directors. The Company uses external professional actuarial valuations as a basis for determining the directors' estimation of the fair value of the vast majority of the investment properties. However, the valuation of the Company's investment property is inherently subjective, as it is made on the basis of valuation assumptions which may in future not prove to be accurate.

In the current year the directors refined the discount rate used in valuing future cash flows. Details of the valuation of the investment property are set out in note 8.

Deferred taxation

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

2. Turnover

	2016	2015
	£	£
Rent	7,442,963	7,734,648
Other operating income	2,199,211	2,133,394
	9,642,174	9,868,042

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3. Interest receivable and similar income

	2016	2015
	£	£
Bank interest	-	41
Interest recharged to subsidiaries	-	816
Related party interest	1,318	4,774
	1,318	5,631
Fair value gains on fixed to variable interest rate swaps	-	255,949
	1,318	261,580

4. Interest payable and similar charges

	2016 £	2015 £
Secured loans	13,479,387	13,110,997
Holding company interest	2,636	394,865
Amortisation of finance costs	23,689	32,248
Bank interest payable	-	63,080
Related party interest	143,539	169,198
	13,649,251	13,770,388

5. Profit / (Loss) on ordinary activities before taxation

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

	2016 £	2015 £
Auditor's remuneration:		
- Statutory audit of parent company and consolidated accounts	23,400	22,920
- Audit of subsidiaries	168,480	166,920

6. Employees

There were no employees of the group or company during the year other than the directors. The directors, who are also considered to be key management personnel, are remunerated by the related party Fairhold Services Limited and this is recharged to the group as part of the management charge from Estates & Management Limited. This management charge, which in 2016 amounted to £940,852 (2015: £794,882) also includes a recharge of administration costs borne by Fairhold Services Limited on behalf of the Company and it is not possible to identify separately the amount relating to the directors remuneration.

7. Taxation

	2016 £	2015 £
Current tax		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax:		
Movement of potential chargeable gain liability	(95,674,056)	(11,600,090)
Effect of decreased rate on opening liability	110,142,056	(14,246,788)
Total deferred tax	14,468,000	(25,846,878)
Total tax on profit/(loss) on ordinary activities	14,468,000	(25,846,878)

7. Taxation (continued)

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 20% (2015: 20%). The differences are explained below:

	2016	2015
	£	£
Profit /(Loss) on ordinary activities before tax	130,900,533	(66,248,345)
Profit /(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20%).	26,180,107	(13,249,669)
Effects of:		
Effect of change in tax rate	(10,449,995)	(13,490,438)
Group relief received without charge	-	247,662
Chargeable gain adjustments	(724,944)	(7,686)
Disallowable expenditure	-	(50,481)
Tax losses carried forward/(utilised)	(537,168)	703,734
Tax charge / (credit)	14,468,000	(25,846,878)

The Group has estimated losses of £20,059,078 (2015: £12,037,000) available to carry forward against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recovery, except those used to reduce the provision for deferred tax in relation to the revaluation of investment properties (note 14).

In the prior period Finance Act 2015 was enacted and included legislation to reduce the main rate of corporation tax to 19% with effect from 1 April 2017, and by a further 1%, reaching 18%, with effect from 1 April 2020. In the current period, Finance Act 2016 was enacted and included legislation to reduce the main rate by a further 1%, reaching 17% with effect from 1 April 2020. As this change was substantively enacted at the balance sheet date and no material amount is expected to unwind prior to 1 April 2020, deferred tax is recognised at 17% in the current period (2015: 18%).

8. Investment properties

	Freehold reversionary interests	
	2016	2015
	£	£
Fair Value		
As at 1 January 2016	819,303,163	881,276,800
Disposals	(54,535)	(996,848)
Fair value gain / (loss)	136,081,372	(60,976,789)
As at 31 December 2016	955,330,000	819,303,163

The investment properties represent a portfolio of ground rents. The investment properties were valued on an actuarial basis by a leading firm of independent financial and actuarial consultants as at 31 December 2013. The directors have reviewed the actuarial valuation as at 31 December 2013 and based on market changes in the intervening period have determined their own valuation at 31 December 2016 and 31 December 2015.

The directors, in carrying out their valuations at 31 December 2016 and 31 December 2015, have reviewed the basis of the 31 December 2013 actuarial valuation and concluded that there have been changes in the key valuation drivers since the actuarial valuation. Accordingly the directors have assessed these changes to the valuation drivers and based on the sensitivities noted consider the updated valuation of the investment properties of £955,330,000 at 31 December 2016 (2015: £819,303,163) is appropriate for adoption for the purposes of these financial statements

The basis of the most recent independent valuation performed on an actuarial basis was to project risk adjusted income streams generated by the portfolio, over 150 years discounted by a risk free rate of return.

The principal assumptions used in the independent actuarial valuation were:

RPI basis for inflation assumptions	-	Implied inflation vector taken from the Bank of England website;
Residential property inflation	-	Derived from market rental yields as found in the ARLA report and the UK Government gilt curve;
Risk free discount rate	-	A series of rates reflecting the UK government gilt curve as applicable to each cash flow date;
Taxation	-	No allowance has been made for taxation in projecting the future revenue flow;
Incidence rates for lease extensions and the price charged	-	Historic incidence rates and FTT valuation.

The assumption with the most significant impact on the valuation is the discount rate used. The discount rates used have been refined in the year to more closely reflect the methodology used by the independent actuaries. A 100 basis point increase or decrease in this rate reduces or increases the valuation by 33% and 66% respectively and it is predominately the movement in this rate that has caused the marked change in value during the current and prior years.

8. Investment properties (continued)

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

	Freehold reversionary interests	
	2016	2015
	£	£
Cost	135,530,642	135,541,248

The group's investment property is subject to a debenture and charge in connection with a guarantee provided by the Company in respect of the indebtedness of the holding company and other related parties (see note 18).

9. Fixed asset investments

Company	**Shares in subsidiary undertakings**
	£
Fair Value	
As at 1 January 2016	575,126,540
Gain on fair value	115,152,087
As at 31 December 2016	690,278,627

Fixed asset investments are valued in accordance with the accounting policy stated in Note 1.9.

If investments were stated on a historical cost basis rather than a fair value basis the amounts would be included as follows:

	Shares in Subsidiary Undertakings	
	2016	2015
	£	£
Cost	203,840,387	203,840,387

The base cost for tax purposes of the above investments in subsidiaries is lower than the historic cost stated in these accounts as the shares were acquired from related parties. If these shares had been sold at the balance sheet date the maximum gain arising would be estimated at £688.2m (2015: £573.1m), however deferred tax has only been provided for on the uplift in value which has been recognised in the Company's income statement. The potential deferred tax on the unrecognised gain is £34.3m (2015: £36.3m).

9. Fixed asset investments (continued)

The Company's subsidiary undertakings are:

Name	Class of Holding	Proportion held	Nature of business
Bradmoss Limited	Ordinary	100%	Property investment
CG Three Limited	Ordinary	100%	Property investment
Danecarr Limited	Ordinary	100%	Property investment
Fairhold Apollo Limited	Ordinary	100%	Property investment
Fairhold Artemis Limited	Ordinary	100%	Property investment
Fairhold Athena Limited	Ordinary	100%	Property investment
Fairhold Atlas Limited	Ordinary	100%	Property investment
Fairhold Freeholds No.2 Limited	Ordinary	100%	Property investment
Fairhold Homes (No.16) Limited	Ordinary	100%	Property investment
Fairhold Homes (No.17) Limited	Ordinary	100%	Property investment
Fairhold Homes (No.18) Limited	Ordinary	100%	Property investment
Fairhold Homes (No.19) Limited	Ordinary	100%	Property investment
Fairhold Properties No.5 Limited	Ordinary	100%	Property investment
Fairhold Properties No.6 Limited	Ordinary	100%	Property investment
Fairhold Properties No.7 Limited	Ordinary	100%	Property investment
Freehold Properties 25 Limited	Ordinary	100%	Property investment
Freehold Properties 26 Limited	Ordinary	100%	Property investment
Hadham Securities 4 Limited	Ordinary	100%	Property investment
Lylecraft Limited	Ordinary	100%	Property investment
Parkbrace Limited	Ordinary	100%	Property investment
Reversions Limited	Ordinary	100%	Property investment
Roswall Limited	Ordinary	100%	Property investment
Rowan Finance Limited	Ordinary	100%	Property investment
Rowan Land Limited	Ordinary	100%	Property investment
Samnas Limited	Ordinary	100%	Property investment
Sendtour Limited	Ordinary	100%	Property investment
Theowal Limited	Ordinary	100%	Property investment
Victoria Investments No.2 Limited	Ordinary	100%	Property investment

The subsidiary companies are incorporated and have their place of business in England. Their registered office is Molteno House, 302 Regents Park Road, London, N3 2JX.

10. Stocks

	Group 2016 £	**Company 2016 £**	Group 2015 £	Company 2015 £
Properties held for resale	2,451,437	-	2,451,437	-

11. Debtors

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Amounts due within one year:				
Trade debtors	482,514	-	1,003,198	-
Cash in transit	63,348	63,348	147,352	147,352
Sundry debtors	-	-	-	-
Amounts owed by parent undertaking	1,000	1,000	1,000	1,000
Prepayments and accrued income	48,409	-	45,906	-
Refinance costs	31,843	31,843	31,930	31,930
	627,114	96,191	1,229,386	180,282
Amounts due after one year:				
Amounts owed by group undertakings	-	134,958,550	-	129,048,391
Refinance costs	1,981,875	1,981,875	2,006,793	2,006,793
	1,981,875	136,940,425	2,006,793	131,055,184
	2,608,989	137,036,616	3,236,179	131,235,466

The amounts owed by group undertakings is due for repayment five years after the termination date of the Rothesay Life loan held by the company, which is in 2085. Interest is charged at 6 month Libor +2.4%.

12. Creditors: amounts falling due within one year

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Secured loans	7,047,629	7,047,629	6,956,540	6,956,540
Accruals and deferred income	2,048,631	-	2,044,779	-
Amounts owed to related parties	1,923,815	1,923,815	3,244,909	3,244,909
	11,020,075	8,971,444	12,246,228	10,201,449

13. Creditors: amounts falling due after year

	Group 2016 £	Company 2016 £	Group 2015 £	Company 2015 £
Secured loans	357,386,215	357,386,215	350,954,457	350,954,457
Amounts owed to group undertakings	-	62,448	-	37,004
	357,386,215	357,448,663	350,954,457	350,991,461

13. Creditors: amounts falling due after year (continued)

The loan is secured on the group's property holdings and is supported by unlimited guarantees given by the subsidiary undertakings who own those properties.

The loan and associated interest charges are repayable by annual instalments in January each year. Instalments are calculated based on 95% of the annual ground rents collected by the group. An effective interest rate is calculated to amortise the loan over its expected term of 65 years, based on projected ground rent cash flows over the term of the loan. Based on current projections the effective interest rate is estimated at 3.81%. The loan terminates on 3 January 2080.

The instalment payable in January 2017 of £7,047,629 is shown as amounts falling due within one year. The total cash payments expected to be made in years two to five are projected at £28.7m (2015: £28.6m).

14. Provisions for liabilities

Group	**Deferred Tax £**
1 January 2016	116,621,000
Increase in provision for the year	14,468,000
31 December 2016	131,089,000

Provision for deferred tax has been made as follows:

	2016 £	2015 £
Deferred tax arising on assets measured at fair value	132,543,000	116,621,000
Tax losses available	(1,454,000)	-
	131,089,000	116,621,000

Company	**Deferred Tax £**
1 January 2016	66,831,507
Increase in provision for the year	15,615,814
31 December 2016	82,694,501

Provision for deferred tax has been made as follows:

	2016 £	**2016 £**
Deferred tax arising on assets measured at fair value	82,694,501	66,831,507

15. Financial instruments

Financial assets	**Group 2016 £**	**Company 2016 £**	Group 2015 £	Company 2015 £
Measured at amortised cost				
Trade debtors	482,514	-	1,003,198	-
Cash in transit	63,348	63,348	147,352	147,352
Amounts owed by parent undertaking	-	-	1,000	1,000
Amounts owed by group undertakings	-	134,959,552	-	129,048,391
	545,862	135,022,900	1,151,550	129,196,743

Financial liabilities	**Group 2016 £**	**Company 2016 £**	Group 2015 £	Company 2015 £
Measured at amortised cost				
Secured loans	364,433,844	364,433,844	357,910,997	357,910,997
Accruals	2,048,631	-	2,044,779	-
Amounts owed to related parties	1,923,815	1,923,815	3,244,909	3,630,029
Amounts owed to group undertakings	-	62,488	-	37,004
	368,406,290	366,420,137	363,200,685	361,578,030

16. Share capital and reserves

Company share capital	**2016 £**	2015 £
Allotted, issued and fully paid:		
1,000 ordinary shares of £1	1,000	1,000

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

The refinancing agreement restricts Dellmes GR Limited from paying dividends, redeeming any of its own share capital, or from repaying any subordinated debt without approval from the financiers.

16. Share capital and reserves (continued)

Reserves
Reserves of the Group represent the following:

Profit and loss account
Cumulative profit and loss net of distributions to owners.

Merger reserve
Adjustment needed For merger accounting treatment as described in note 1.2 as a result of the restructure in the prior year.

Reserves of the Company represent the following:

Profit and loss account
Cumulative profit and loss net of distributions to owners.

Fair value reserve
Cumulative gains and losses, net of deferred tax, on subsidiary investments.

17. Reconciliation of profit/(loss) after tax to net cash generated from in operations

Group	**2016** **£**	2015 £
Profit /(Loss) after tax	116,432,533	(40,401,467)
Adjustments for:		
Fair value (gains) /loss on investment properties	(136,081,372)	60,976,789
Profit /(Loss) on disposal of investment properties	(505)	527,069
Interest receivable	(1,318)	(261,580)
Interest payable	13,649,251	13,770,388
Taxation	14,468,000	(25,846,878)
Operating cash flows before movements in working capital	8,466,589	8,764,321
Decrease/(Increase) in debtors	627,190	(178,908)
(Decrease) / Increase in creditors	(1,487,601)	2,416,231
Cash generated from operations	7,606,673	11,001,644

18. Guarantees

The Company and its subsidiaries have given an unlimited guarantee in respect of some of the indebtedness. These parties are related as they are subject to common control and common directorship. The guarantee is supported by a debenture and a charge over the group's investment properties. At 31 December 2016 the total loan amount outstanding subject to that guarantee was £364.4m (2015: £357.9m). Interest payable on this balance outstanding at 31 December 2016 totalled £19.6m (2015: £13.1m).

18. Guarantees (continued)

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

19. Ultimate parent company and ultimate controlling party

Ramchez GR Limited is the immediate parent, which is domiciled and incorporated in England and Wales, and is the largest group for which consolidated accounts including Dellmes GR Limited are prepared. Copies of the financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

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

The ultimate controlling party is the Tchenguiz Family Trust.

20. Related party transactions

At 31 December 2016 the Group and Company owed the following amounts to related parties related by virtue of common control and common directors:

	2016	2015
	£	£
Mertola GR Limited	1,923,815	3,244,909

The group and company paid interest of £143,539 (2015: £169,198) on amounts outstanding during the period.

During the year the Group was charged management fees of £940,852 (2015: £794,882) by Estates & Management Limited, a related party related by virtue of common control and common directors.

21. Post balance sheet events

Since the end of the reporting period, the group has become aware that a developer of a number of the leasehold interests held by the group has put in place a ground rent review scheme to assist leaseholders who purchased from it properties with specific rent review clauses. Under the proposed scheme it is expected that the terms of these leases could be varied with the group's cooperation such that the future level of ground rents would most likely be lower than currently expected. If such variations are executed, there would be a reduction in the value of some of the Investment Properties held by the group. It is not possible to estimate the level of this reduction at this time as it is not known how many leases will be affected and the revised terms of these leases.