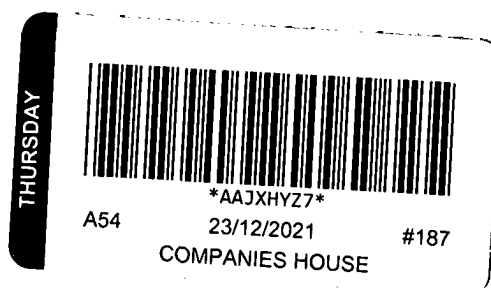


COMPANY REGISTRATION NUMBER: 00629396

**Daejan Properties Limited**  
**Financial Statements**  
**31 March 2021**



# **Daejan Properties Limited**

## **Financial Statements**

**Year ended 31 March 2021**

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# **Daejan Properties Limited**

## **Strategic Report**

**Year ended 31 March 2021**

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The directors present their strategic report for the year ended 31 March 2021.

In accordance with Section 414A(1) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, we have prepared a strategic report which includes a review of the Company's business and future developments, a description of the principal risks and uncertainties facing the Company and the Company's key performance indicators. The purpose of the strategic report is to inform members of the Company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company).

### **Principal activities and business model**

The principal activity of the Company is property investment in commercial, industrial and residential properties in the UK. From time to time the Company undertakes new developments and also the redevelopment of existing properties. The Company's business model is generally to hold its properties for the long term in order to generate rental income and capital appreciation. However, each of the Company's investment properties is considered to be potentially for sale in the right circumstances.

### **Results**

The profit for the year of £14.8 million (2020: £8.3 million loss) has been transferred to reserves.

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

The profit for the year before tax was £5.4 million (2020: £1.6 million loss), an increase year on year of £7 million, primarily due to a £16.3 million increase in net valuation gains on investment property year on year. Rents and service charges receivable were £13.3 million (2020: £20.4 million) and property expenses £8.0 million (2020: £15.1 million). The decrease in rental activity followed the sale of Park West at the beginning of the year.

Loss on disposal of investment property totalled £5.6 million (2020: £2.4 million profit) during the year and additions to our properties totalled £0.02 million (2020: £1.3 million). Significant property disposals during the year included the leasehold interest of Park West being sold to Coinface Limited amounting to a loss of £7.1 million, with the balance representing sales of lease extensions amounting to a profit of £1.5 million.

The Company is financed by inter-group loans and pays interest on these loans at 3.92% (2020: 3.59%).

A professional valuation of all the Company's investment portfolio was carried out at 31 March 2021 by Colliers International Property Advisers UK LLP, RICS Registered Valuers. The fair value at the year end totalled £328.5 million (2020: £388.1 million) producing a revaluation of £8.7 million after accounting for the disposal of investment properties (2020: deficit of £7.5 million) which has been included in the profit and loss account and other comprehensive income. Of the Company's property portfolio at valuation, £282.7 million is residential (2020: £336.2 million) and £45.9 million is commercial (2020: £51.9 million).

Both the immediate and long term future hold considerable uncertainty. It is less than clear that the UK government is succeeding in bringing the Covid-19 pandemic under some form of control so that the economy can grow back to pre-pandemic levels and beyond. Although the formalities of the UK's exit from the EU have been completed, much work remains to be done in establishing new and efficient trading relationships. In particular this is having an adverse effect on the price and supply of building materials.

# Daejan Properties Limited

## Strategic Report *(continued)*

### Year ended 31 March 2021

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It will take some time to establish the extent to which habits acquired during lockdown will continue into the future. In particular a reluctance to visit retail, leisure and hospitality venues and a movement to working from home will all feed through to the future demand for property.

We will continue to follow our tried and trusted approach which has served us well over good times and bad focusing on achieving long term, low risk growth in asset value and rental income.

#### Key performance indicators (KPIs)

The Board monitors the Company's progress against its strategic objectives and the financial performance of its operations on a regular basis. Performance is assessed against the strategy and expectations using financial and non-financial measures. The most significant KPIs used by the Company are as follows:

	2021	2020
	£m	£m
Investment property at fair value	328.6	387.9
Profit/(loss) before tax	5.4	(1.6)
Revaluation gain/(loss)	8.7	(7.5)
Rent and service charges receivable less property outgoings	5.4	5.4

# Daejan Properties Limited

## Strategic Report *(continued)*

Year ended 31 March 2021

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### Principal risks and uncertainties

The principal risks to which the Company is exposed are:

- Tenant defaults
- Damage to properties from flood, fire or terrorist action
- Changes in regulations on building standards, environmental or health and safety rules
- Increases in the cost of borrowing
- Inappropriate acquisitions
- Planning, construction and letting risk in relation to redevelopment activity
- The economic cycle generally

The Company, in conjunction with its parent company, Daejan Holdings Limited, seeks to manage or mitigate such risks wherever possible through such measures as insurance, tenant screening and monitoring, fixed rate borrowing, rigorous review of acquisition and development opportunities, external expert advice and regular monitoring of the economic outlook. Overall, in spite of the risks, the Company's prudent long term approach to property trading gives the directors confidence for the future.

This report was approved by the board of directors on 6 December 2021 and signed on behalf of the board by:



J S Southgate  
Company Secretary

Registered office:  
Freshwater House  
158-162 Shaftesbury Avenue  
London  
WC2H 8HR

# **Daejan Properties Limited**

## **Directors' Report**

### **Year ended 31 March 2021**

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The directors present their report and the financial statements of the Company for the year ended 31 March 2021.

#### **Principal activities and business review**

The principal activity of the Company is property investment in commercial, industrial and residential properties in the UK. From time to time the Company undertakes new developments and also the redevelopment of existing properties. The Company's business model is generally to hold its properties for the long term in order to generate rental income and capital appreciation. However, each of the Company's investment properties is considered to be potentially for sale in the right circumstances. There has been no significant change in the nature of the Company's business activities during the year under review, nor is any envisaged in the immediate future.

#### **Directors**

The directors who served the Company during the year were as follows:

D Davis	
B S E Freshwater	
J Freshwater	(Appointed 24 November 2020)
L Weiss	(Appointed 24 November 2020)
B F Freshwater	(Appointed 24 November 2020)
C E Freshwater	(Appointed 24 November 2020)

The Articles of Association of the Company do not require the directors to retire by rotation.

The directors do not have service contracts.

The majority of the day-to-day management of the Company's properties and its operations are carried out by Highdorn Co. Limited. Mr B S E Freshwater is a director of, but has no beneficial interest in the share capital of, Highdorn Co. Limited.

Neither of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company, their interest, and those of their family trusts, in the share capital of the ultimate holding company, Daejan Holdings Limited, are set out in the director's report of that company.

#### **Results and dividends**

The results for the year are set out in the attached profit and loss account and other comprehensive income and explanatory notes. The financial position of the company at the end of the year is set out in the attached balance sheet and explanatory notes.

The Company did not pay a dividend in the year (2020: £nil). The directors do not propose a final dividend for the year (2020: £nil).

#### **Going concern**

The Directors have also considered the impact of the Covid-19 global pandemic, which has resulted in the unprecedented risks and significant levels of volatility on the macro economy and the particular market that the Company and the Daejan Holdings Limited group operates in. The directors have considered the impact on the group, as explained in note 3.

# **Daejan Properties Limited**

## **Directors' Report** *(continued)*

**Year ended 31 March 2021**

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### **Directors' responsibilities statement**

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 the directors 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 the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters 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.

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

# **Daejan Properties Limited**

## **Directors' Report** *(continued)*

**Year ended 31 March 2021**

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This report was approved by the board of directors on 6 December 2021 and signed on behalf of the board by:



J S Southgate  
Company Secretary

Registered office:  
Freshwater House  
158-162 Shaftesbury Avenue  
London  
WC2H 8HR



# **Daejan Properties Limited**

## **Independent Auditor's Report to the Members of Daejan Properties Limited**

**Year ended 31 March 2021**

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### **Opinion**

We have audited the financial statements of Daejan Properties Limited ("the Company") for the year ended 31 March 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the 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 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standard, including 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 bases for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

# **Daejan Properties Limited**

## **Independent Auditor's Report to the Members of Daejan Properties Limited** *(continued)*

**Year ended 31 March 2021**

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### **Fraud and breaches of laws and regulations - ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment property valuations.

We did not identify any additional fraud risks.

On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's income primarily arises from operating lease contracts with fixed, or highly predictable, periodic payments.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted containing key words, and those posted with unexpected account combinations,
- Evaluated the business purpose of significant unusual transactions.

Our procedures to detect fraud in the investment property valuations included:

- the use of our specialist valuers to challenge the methods used in the valuations;
- obtaining both confirmatory and non-confirmatory evidence to access the key inputs into the valuations.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

# **Daejan Properties Limited**

## **Independent Auditor's Report to the Members of Daejan Properties Limited** *(continued)*

**Year ended 31 March 2021**

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The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: landlord and tenant legislation, property laws and building legislation recognising the nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **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 we do not express an audit opinion or, except as explicitly stated below, any forms 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 that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

# **Daejan Properties Limited**

## **Independent Auditor's Report to the Members of Daejan Properties Limited** *(continued)*

**Year ended 31 March 2021**

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### **Matters on which we are required to report by exception**

Under the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and the 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.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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.

# **Daejan Properties Limited**

## **Independent Auditor's Report to the Members of Daejan Properties Limited** *(continued)*

**Year ended 31 March 2021**

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### **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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://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 member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Kelly (Senior Statutory Auditor)

For and on behalf of  
KPMG LLP  
Chartered accountants & statutory auditor  
15 Canada Square  
London  
E14 5GL

16 December 2021

# Daejan Properties Limited

## Profit and Loss Account and Other Comprehensive Income

Year ended 31 March 2021

	Note	2021 £	2020 £
<b>Turnover</b>	<b>4</b>	<b>13,349,037</b>	<b>20,443,945</b>
Cost of sales		<u>(7,961,251)</u>	<u>(15,062,483)</u>
<b>Gross profit</b>		<b>5,387,786</b>	<b>5,381,462</b>
Administrative expenses		<u>(2,636,273)</u>	<u>(2,554,515)</u>
Net valuation gain/(loss) on investment property		<u>8,710,401</u>	<u>(7,546,618)</u>
(Loss)/profit on disposals		<u>(5,559,385)</u>	<u>2,362,084</u>
<b>Operating profit/(loss)</b>	<b>5</b>	<b>5,902,529</b>	<b>(2,357,587)</b>
Interest receivable and similar income	<b>6</b>	<b>7,256,627</b>	<b>8,301,524</b>
Interest payable and similar expenses	<b>7</b>	<u>(7,789,073)</u>	<u>(7,589,992)</u>
<b>Profit/(loss) before taxation</b>		<b>5,370,083</b>	<b>(1,646,055)</b>
Tax on profit/(loss)	<b>9</b>	<u>9,458,350</u>	<u>(6,676,533)</u>
<b>Profit/(loss) for the financial year and total comprehensive income</b>		<b><u>14,828,433</u></b>	<b><u>(8,322,588)</u></b>

All the activities of the Company are from continuing operations.

The notes on pages 15 to 28 form part of these financial statements.

# Daejan Properties Limited

## Balance Sheet

31 March 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Investment property	10	328,566,189	387,902,408
Investments	11	2	2
		<u>328,566,191</u>	<u>387,902,410</u>
<b>Current assets</b>			
Debtors	12	205,425,868	234,989,142
Cash at bank and in hand		4,814,636	17,805,613
		<u>210,240,504</u>	<u>252,794,755</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(123,527,468)</u>	<u>(230,418,851)</u>
<b>Net current assets</b>		<u>86,713,036</u>	<u>22,375,904</u>
<b>Total assets less current liabilities</b>		<u>415,279,227</u>	<u>410,278,314</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(252,827)	(254,484)
<b>Provisions for liabilities and charges</b>			
Deferred tax liabilities	16	(54,849,612)	(64,675,475)
<b>Net assets</b>		<u>360,176,788</u>	<u>345,348,355</u>
<b>Capital and reserves</b>			
Called up share capital	18	1,000	1,000
Profit and loss account	19	360,175,788	345,347,355
<b>Total equity</b>		<u>360,176,788</u>	<u>345,348,355</u>

These financial statements were approved by the board of directors and authorised for issue on 6 December 2021, and are signed on behalf of the board by:



B S E Freshwater  
Director

Company registration number: 00629396

The notes on pages 15 to 28 form part of these financial statements.

# **Daejan Properties Limited**

## **Statement of Changes in Equity**

**Year ended 31 March 2021**

	Called up share capital £	Profit and loss account £	Total £
<b>At 1 April 2019</b>	1,000	353,669,943	353,670,943
Loss for the year		(8,322,588)	(8,322,588)
<b>Total comprehensive income for the year</b>	—	(8,322,588)	(8,322,588)
<b>At 31 March 2020</b>	1,000	345,347,355	345,348,355
Profit for the year		14,828,433	14,828,433
<b>Total comprehensive income for the year</b>	—	14,828,433	14,828,433
<b>At 31 March 2021</b>	1,000	360,175,788	360,176,788

The notes on pages 15 to 28 form part of these financial statements.



# **Daejan Properties Limited**

## **Notes to the Financial Statements**

**Year ended 31 March 2021**

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### **1. General information**

The Company is a company limited by shares, registered in England and Wales. The address of the registered office is Freshwater House, 158-162 Shaftesbury Avenue, London, WC2H 8HR.

### **2. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

### **3. Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention except that investment property is measured at fair value.

The presentation currency of these financial statements is sterling.

The financial statements have been prepared under the going concern basis which the directors consider to be appropriate for the following reasons:

At the balance sheet date, the Company is in a net asset position.

The continuing Covid-19 pandemic had a negative impact on the macro economy and the particular market that the Company and the Daejan Holdings Limited group ("the Group") operates in. The directors have placed a particular focus on the Group's going concern assessment given the intercompany loans received and have considered the principal risks to the Group.

The directors have prepared the cash flow forecasts of the Group for at least twelve months from the date of approval of the financial statements. In this forecast, the directors have taken account of the implications of Covid-19 which would impact the cash inflows and outflows. The directors have modelled a severe but plausible downside scenario in respect of the Group's cash flows and considered the likelihood of the Group's loan covenants being breached in the coming 12 months and remedy packages in the event that these covenants are breached. The result of this forecast indicates that in this scenario the Company cash needs are still within the available financial resources.

In preparing this forecast, the directors have taken into account the following key business risks and uncertainties:

- Market risks on demand and supply;
- Yield shift movements;
- Possible failure of tenants on account of Covid-19 and reductions in net rental income; and
- Increased capital expenditure required to maintain the assets.

# **Daejan Properties Limited**

## **Notes to the Financial Statements** *(continued)*

**Year ended 31 March 2021**

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### **3. Accounting policies** *(continued)*

Having taken into account the risks and uncertainties, including the impact of Covid-19 that exist within the business, the directors have concluded that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements and that there is no material uncertainty to this position, as the directors have a reasonable expectation that the Company has adequate resources under all plausible circumstances to continue in operational existence for the foreseeable future by meeting its liabilities and commitments as they fall due.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

#### **Disclosure exemptions**

The Company's ultimate parent undertaking, Daejan Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Daejan Holdings Limited are prepared in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006 and are available to the public and may be obtained from Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR. In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Key Management Personnel compensation; and
- Basic and other financial instruments.

# **Daejan Properties Limited**

## **Notes to the Financial Statements** *(continued)*

**Year ended 31 March 2021**

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### **3. Accounting policies** *(continued)*

#### **Turnover**

Turnover comprises rents and service charges receivable. Rental income from investment property leased out under operating leases is recognised in the profit and loss account on a straight line basis over the period to first break clause. Lease incentives granted to tenants are recognised on a straight line basis over the period to the first break clause. Service charge income is recognised as the services are provided.

#### **Property outgoings**

The costs of repairs are recognised in the profit and loss account in the year in which they are incurred.

Lease payments under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease.

#### **Interest receivable and Interest payable**

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit and loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

# Daejan Properties Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2021

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#### 3. Accounting policies *(continued)*

##### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in the equity or comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is expected tax payable or receivable on the taxable income or loss for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Provision is made for consideration payable to or receivable from other group undertakings for the surrender of losses under group relief provisions.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expenses are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rate and allowances applicable to the sale of the property.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

# **Daejan Properties Limited**

## **Notes to the Financial Statements** *(continued)*

**Year ended 31 March 2021**

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### **3. Accounting policies** *(continued)*

#### **Investment property**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

a) Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the profit and loss account in the period that they arise; and

b) No depreciation is provided in respect of investment properties applying the fair value model.

Investment property fair value is based on a valuation by an external independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The Company's interest in some of its investment properties are in the form of long leases as opposed to freehold ownership. The Company recognises as liabilities amounts payable under head leases and a corresponding leased asset, which is included in investment property. These leased investment properties are initially recorded at the present value of the remaining lease payments and are then subsequently carried at fair value. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

#### **Investments**

Investments in subsidiary undertakings are stated at cost.

#### **Sale of investment properties**

The Company generally holds its properties for the long term in order to generate rental income and capital appreciation although in the right circumstances any property could be available for sale. When an outright sale does occur the resulting surplus based on the excess of sales proceeds over valuation is included within the Company's profit and taxation applicable thereto is shown as part of the taxation charge. Disposals are recognised on the date the significant risks and rewards of ownership have been transferred. In addition the company also 'sells' leasehold extensions when requested by leaseholders. The proceeds of these leasehold extension sales, less directly applicable costs, are also included in profit on disposal of investment properties.

# Daejan Properties Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

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### 3. Accounting policies *(continued)*

#### Financial instruments

Financial liabilities and equity instruments are classified 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 entity after deducting all its financial liabilities.

#### Basic financial instruments

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

#### Related party transactions

The Company has taken advantage of the exemptions in FRS 102 in order to dispense with the requirements to disclose transactions with other companies in the Daejan Holdings Limited group.

### 4. Turnover

Turnover arises from:

	2021 £	2020 £
Rents receivable	12,008,889	13,946,025
Service charges receivable	1,340,148	6,497,920
	<u>13,349,037</u>	<u>20,443,945</u>

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

# Daejan Properties Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

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### 5. Operating profit

Operating profit or loss is stated after charging:

	2021	2020
	£	£
Fees payable for the audit of the financial statements	54,000	49,200
Bad debt write offs	138,799	4,754
Movement in provision for bad debts	<u>214,579</u>	<u>196,519</u>

Amounts receivable by the Company's auditor in respect of services to the Company, other than for the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent undertaking, Daejan Holdings Limited.

### 6. Interest receivable and similar income

	2021	2020
	£	£
Interest on cash and cash equivalents	25,627	56,524
Interest from group undertakings	<u>7,231,000</u>	<u>8,245,000</u>
	<u>7,256,627</u>	<u>8,301,524</u>

### 7. Interest payable and similar expenses

	2021	2020
	£	£
Interest on banks loans and overdrafts	1,925	541
Interest on obligations under finance leases and hire purchase contracts	15,363	15,451
Interest due to group undertakings	<u>7,771,785</u>	<u>7,574,000</u>
	<u>7,789,073</u>	<u>7,589,992</u>

# Daejan Properties Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2021

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#### 8. Directors and employees salaries and remuneration

Mr D Davis and Mr BSE Freshwater are also directors of the ultimate parent company, Daejan Holdings Limited, and details of their remuneration are given in those financial statements. The other four directors received £30,000 each, which with associated National Insurance costs of £11,709 total £131,709. Directors received £131,709 in respect of their services to the Company (2020: £nil). These costs are included within administrative expenses.

The staff provided by the property and administrative management company, Highdorn Co. Limited, are engaged under joint employment contracts with a fellow subsidiary of the Company and their costs are subsequently recharged to the Company at a level appropriate to the activity of the Company. These recharges, which amounted to £1,548,000 during the year (2020: £1,597,000) and which represented an average of 25 staff (2020: 32), are included within administrative expenses.

In addition to the above, the Company's property outgoings include the following employment costs relating to portorage staff:

	2021	2020
	£	£
Wages and salaries	88,504	788,659
Social security costs	6,631	75,088
Other pension costs	4,267	25,165

The average number of portorage staff employed during the year was 27 (2020: 28)

#### 9. Tax on profit/(loss)

##### Major components of tax (income)/expense

	2021	2020
	£	£
<b>Current tax:</b>		
UK current tax expense	776,117	1,194,508
Adjustments in respect of prior periods	(408,604)	(29,392)
Total current tax	<u>367,513</u>	<u>1,165,116</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(9,825,863)	(1,451,945)
Impact of change in tax rate	—	6,960,478
Adjustments in respect of prior years	—	2,884
Total deferred tax	<u>(9,825,863)</u>	<u>5,511,417</u>
<b>Tax on profit/(loss)</b>	<u>(9,458,350)</u>	<u>6,676,533</u>



# Daejan Properties Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2021

#### 9. Tax on profit/(loss) *(continued)*

##### Reconciliation of tax (income)/expense

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit/(loss) on ordinary activities before taxation	5,370,083	(1,646,055)
Profit/(loss) on ordinary activities by rate of tax	1,020,316	(312,750)
Adjustment to tax charge in respect of prior periods	(408,604)	(26,508)
Effect of expenses not deductible for tax purposes	105,485	102,030
Effect of capital allowances and depreciation	(14,735)	(28,347)
Difference between chargeable gain and profit on disposal	1,350,652	—
Impact of change in tax rate	—	6,960,478
Other timing differences on unrealised gains	(11,511,464)	(18,370)
Tax on profit/(loss)	<u>(9,458,350)</u>	<u>6,676,533</u>

##### Factors that may affect future tax income

Current and deferred tax have been calculated at 19%, the enacted corporation tax rate at 31 March 2021 and 2020. The announced increase to 25% was not enacted into UK Law until the summer of 2021 but will affect future charges.

#### 10. Investment property

	Freehold property £	Long leasehold property £	Short leasehold property £	Total £
<b>Cost or valuation</b>				
At 1 April 2020	87,899,062	299,266,896	736,450	387,902,408
Additions	19,321	—	—	19,321
Disposals	—	(68,065,941)	—	(68,065,941)
Revaluations	214,749	8,617,100	(121,448)	8,710,401
<b>At 31 March 2021</b>	<u>88,133,132</u>	<u>239,818,055</u>	<u>615,002</u>	<u>328,566,189</u>
<b>Carrying amount</b>				
At 31 March 2021	<u>88,133,132</u>	<u>239,818,055</u>	<u>615,002</u>	<u>328,566,189</u>
At 31 March 2020	<u>87,899,062</u>	<u>299,266,896</u>	<u>736,450</u>	<u>387,902,408</u>

# Daejan Properties Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

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### 10. Investment property *(continued)*

#### Investment property held at valuation

An independent professional revaluation of all of the Company's property was carried out on 31 March 2021 by Colliers International Property Advisers UK LLP, RICS Registered Valuers. The revaluation figures are based on open market value assessed in accordance with the RICS Valuation - Professional Standards (2020).

The aggregate professional valuations included in the above table have been reduced by an amount of £176,212 (2020: £208,662) relating to lease incentives included in other debtors and increased by an amount of £254,484 (2020: £256,047) relating to finance lease assets, with the corresponding liability shown in creditors.

#### Valuation techniques and key inputs

The company's residential houses and apartments £282.7 million (2020: £336.0 million) were valued using a sales valuation approach, derived from recent comparable transactions in the market, adjusted by applying discounts to reflect status of occupation and condition. The largest discounts were applied to those properties subject to registered tenancies, reflecting the relative difference in security of tenure, whilst the smallest discounts were applied to those properties subject to assured shorthold tenancies. The base discount for condition is 10%, reflecting current estimates of costs being incurred. Sales value assumptions were in the range £231 to £1,507 per square foot (2020: £234 to £1,511 per square foot).

The company's commercial units £45.9 million (2020: £51.9 million) were valued using the income capitalisation method, requiring the application of an appropriate market based yield to net operating income. Adjustments are made to allow for voids when less than five years are left under the current tenancy and to reflect market rent at the point of lease expiry or rent review. Equivalent yields used fell in the range 5.37% to 35.63% (2020: 5.60% to 13.30%) with an average of 7.60% (2020: 7.40%) and estimated rental values used fell in the range £2.25 to £55.28 per square foot (2020: £2.00 to £75.10), with an average of £24.22 per square foot (2020: £26.50).

#### Historical cost model

The historical cost of investment properties included in the above valuation is £29,552,572 (2020: £32,503,465).

# Daejan Properties Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

### 11. Investments

	Other investments other than loans £
<b>Cost</b>	
At 1 April 2020 and 31 March 2021	<u>2</u>
<b>Impairment</b>	
At 1 April 2020 and 31 March 2021	<u>—</u>
<b>Carrying amount At</b>	
31 March 2021	<u>2</u>
At 31 March 2020	<u>2</u>

#### Unlisted investments

The Company's subsidiary undertaking whose registered office is Freshwater House, 158-162 Shaftesbury Avenue, London, WC2H 8HR, which is a property investment company, is as follows:

	Interest in share capital	% held
Daejan (Lauderdale) Limited	Ordinary shares	100%

The Company is exempt by virtue of S400 of the Companies Act 2006, from the requirement to prepare group financial statements, as it is a wholly owned subsidiary of another company incorporated in Great Britain and is registered in England and Wales. These financial statements present information about Daejan (UK) Limited as an individual undertaking and not about its group.

### 12. Debtors

	2021 £	2020 £
Trade debtors	3,407,117	7,442,153
Amounts owed by group undertakings	192,483,136	220,024,078
Amounts owed by related parties (Note 22)	7,655,604	5,848,234
Other debtors	1,880,011	1,674,677
	<u>205,425,868</u>	<u>234,989,142</u>

All debtors are payable within one year or are payable on demand. All intra-group loans are sterling loans with interest paid at the rate of 3.92% (2020: 3.59%).

# Daejan Properties Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2021

#### 13. Creditors: amounts falling due within one year

	2021	2020
	£	£
Rents and service charges charged and paid in advance	2,438,510	6,699,195
Amounts owed to group undertakings	117,133,548	217,220,963
Corporation tax	776,116	1,194,508
Social security and other taxes	1,198	1,326
Obligations under finance leases and hire purchase contracts	1,657	1,563
Other creditors	3,176,439	5,301,296
	<u>123,527,468</u>	<u>230,418,851</u>

All intra-group loans are sterling loans repayable on demand with interest paid at the rate of 3.92% (2020: 3.59%).

#### 14. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Obligations under finance leases and hire purchase contracts	<u>252,827</u>	<u>254,484</u>

#### 15. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2021	2020
	£	£
Not later than 1 year	16,926	16,926
Later than 1 year and not later than 5 years	66,784	67,244
Later than 5 years	4,156,135	4,172,601
	<u>4,239,845</u>	<u>4,256,771</u>
Less: future finance charges	(3,985,361)	(4,000,724)
Present value of minimum lease payments	<u>254,484</u>	<u>256,047</u>

#### 16. Provisions for liabilities and charges

	Deferred tax (note 17)
	£
At 1 April 2020	64,675,475
Charge for the year	(9,825,863)
At 31 March 2021	<u>54,849,612</u>

# Daejan Properties Limited

## Notes to the Financial Statements (continued)

### Year ended 31 March 2021

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#### 17. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2021	2020
	£	£
Included in provisions for liabilities and charges (note 16)	<u>54,849,612</u>	<u>64,675,475</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021	2020
	£	£
Accelerated capital allowances	139,374	108,749
Fair value adjustment of investment property	<u>54,710,238</u>	<u>64,566,726</u>
	<u>54,849,612</u>	<u>64,675,475</u>

#### 18. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

#### 19. Reserves

The profit and loss account reserve records retained earnings and accumulated losses.

#### 20. Operating leases

As lessor

The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2021	2020
	£	£
Not later than 1 year	4,689,105	5,591,411
Later than 1 year and not later than 5 years	11,058,394	11,094,692
Later than 5 years	<u>57,658,427</u>	<u>59,522,178</u>
	<u>73,405,926</u>	<u>76,208,281</u>

#### 21. Charges on assets

The Company's investment properties with a market value of £105,712,525 (2020: 106,834,125) at 31 March 2021 have been charged as part security for loans to group undertakings, which the Company has also guaranteed.

# Daejan Properties Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 March 2021

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#### 22. Related party transactions

The majority of the day-to-day management of the Company's properties and its operations are carried out by Highdorn Co. Limited ("Highdorn"). Mr BSE Freshwater is a director of, but has no beneficial interest in the share capital of, Highdorn. In their capacity as property managing agents, Highdorn collect rents and incur direct property expenses on behalf of the Company.

At 31 March 2021, the net amount due from Highdorn was £7,655,604 (2020: £5,848,234). During the year £882,156 (2020: £848,322) was charged by Highdorn for the provision of a full range of management services, which were charged for at normal commercial rates. The credit balance outstanding in respect of these services at 31 March 2021 is £344,440 (2020: £1,026,083).

#### 23. Controlling party

The Company is controlled by its immediate parent company, Daejan Traders Limited, whose registered office is Freshwater house, 158-162 Shaftesbury Avenue.

The Company's ultimate controlling party is its ultimate parent company, Daejan Holdings Limited, which is incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by Daejan Holdings Limited. The consolidated financial statements of Daejan Holdings Limited are available to the public and may be obtained from the Daejan Holdings Limited website ([www.daejanholdings.com](http://www.daejanholdings.com)) or Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR. No other group financial statements include the results of the Company.

#### 24. Accounting estimates and judgements

##### i. Property valuations

The valuation of the company's property portfolio is inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions (as set out in Note 11). Therefore, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of difficult market or economic conditions. As noted in Note 11 above, all the Company's properties are valued by external valuers with appropriate qualifications and experience.

##### ii. Trade debtors

Management uses details of the age of trade debtors and the status of any disputes together with external evidence of the credit status of the counterparty in making judgements concerning any need to impair the carrying values.