

**Company Registration No. 01065036**

**Dorrington Property Group Limited**

**Annual Report and Financial Statements**

**for the year ended 31 December 2021**



# **Dorrington Property Group Limited**

## **Annual Report and Financial Statements 31 December 2021**

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# **Dorrington Property Group Limited**

## **Officers and financial advisers**

### **Directors**

M S Gorvy  
S Gorvy  
A R Giblin  
R Harris  
J P Kennedy (resigned on 22 February 2021)  
M B Jenkins (appointed on 22 February 2021)  
A J Leibowitz  
T Moross (resigned on 1 April 2022)  
D J Salvesen  
B O Thompson

### **Company Secretary**

Hanover Management Services Limited

### **Registered Office**

16 Hans Road  
London  
SW3 1RT

### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

# Dorrington Property Group Limited

## Strategic report

Dorrington Property Group Limited and its subsidiaries are wholly owned by Hanover Acceptances Limited.

The subsidiary undertakings are listed at note 25.

The business is engaged in property investment, development and trading in the UK. The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

### Business review and key performance indicators

We are pleased to report on a satisfactory financial performance.

We report on the second year in which the Group produced robust results despite considerable market turmoil caused by the Covid-19 pandemic.

The business has remained robust despite the uncertainty caused by Covid-19. The rental market showed low volatility and maintained a strong collection rates throughout the financial year. Buyer confidence has returned and there has been an increase in demand driving the number of transactions up. Our trading performance and our investment income remain strong and our interest cover remains comfortable and overall the business has produced good results.

Profit for the year before taxation was £49.5m compared to loss of £25.5m in the previous year. The profit for the financial year was £19.6m (2020: loss £21.0m). The results for the year are shown in the consolidated profit and loss account on page 12.

The statutory shareholders' funds for the financial year was £612.1m (2020: £587.1m). The value of stock of trading properties was, in the opinion of the directors, £300m (2020: £301.8m), which exceeds the amount at which it is reflected in the financial statements by £181.3m (2020: £181.5m). Taking these valuations into account and before any adjustment for taxation, the adjusted shareholders' funds at 31 December 2021 were £793.4m (2020: £768.6m).

### Principal risks and uncertainties

#### *Liquidity risk*

The Group's main financial objective is to create shareholder value through a diversified real estate portfolio, maximising its returns against strict investment criteria. Liquidity and cash flow are managed through external bank financing.

The Group refinanced on acceptable terms all loans that were due for repayment during the year. None of the current facilities is repayable before 2023, and the Directors expect that the existing facilities will provide sufficient liquidity for the Group's proposed activities for the reasonably foreseeable future.

We constantly monitor our covenant position to ensure compliance. We believe that our gearing and security structure is acceptable relative to the size of our portfolio.

#### *Property valuations*

The cyclical nature of the property market raises the risk of variations in the value of our portfolio. Residential valuations remained constant in 2021. By the end of the year, commercial values were back to their pre-pandemic level and residential sales remained positive. We have a strong and sustainable income flow, with acceptable future expenditure commitments. We will continue to mitigate our exposure to market risk through a balanced approach to asset selection and cautious decision-making relating to revenue streams and capital growth.

#### *Interest rates*

Derivative financial instruments are used by the Group to manage exposure to fluctuations in interest rates, but are not employed for speculative purposes. Interest rate management is carried out by means of a combination of interest rate swaps and financial collars used to provide a degree of certainty over future interest rate costs.

# **Dorrington Property Group Limited**

## **Strategic report (continued)**

### **Principal risks and uncertainties (continued)**

#### *Covid-19*

The Covid-19 crisis started in 2020 and has been a source of new risk for the company. Although we were out of lockdown at the start of the financial year, by the end of the first quarter we were in a second lockdown. The company responded swiftly and demonstrated strong resilience through the second year of the pandemic. By end of the financial year, as the lockdown restrictions were eased, the company and the Group were back to strong level of business activity.

#### *Tenant default*

The significant risk to cash flow in property investment is the loss of rental income. The nature of the Group's portfolio is such that this income is derived from a large and diverse tenant base thereby reducing risk. In addition, the exposure and control over potential bad debts in the residential portfolio is managed through intensive asset and property management and the careful vetting of potential tenants; and in the commercial portfolio through close contact with our occupiers and attention to customer service and early warnings of potential problems. Collections from the residential and office portfolios remained robust though the year, despite market concerns of the impact of the pandemic on both residential and office tenants. Our retail tenants, in common with the rest of the sector, experienced difficulties in meeting their rental obligations, and we have engaged proactively with them, agreeing rent deferrals and rent free periods where appropriate.

#### *Property investments*

Detailed financial appraisals are conducted for all significant acquisitions and disposals. A full due diligence review is carried out prior to all asset acquisitions, including relevant corporate due diligence where assets are acquired through separate corporate entities.

#### **Going concern**

In their assessment of going concern, the directors have considered all of the risks and uncertainties mentioned above and other factors. Their conclusion, having reviewed the Group's future cash flow forecasts and valuation projections, which they believe are based on reasonable assumptions, is that it is appropriate to prepare the financial statements on the going concern basis (note 1).

Details of the financial risk management policy and financial instruments used by the Group are set out in note 19 to the financial statements.

#### **Future developments**

The company will continue to invest in commercial and residential real estate when the right opportunities arise.

#### **Section 172 (1) statement – Engaging with stakeholders**

The success of our business is dependent on the support of all of our stakeholders. Building positive relationships is important to us, and working together towards shared goals assists us in delivering long-term sustainable success.

#### **Shareholders**

We rely on the support of shareholders and their opinions are important to us. We have open communication with our shareholders, which cover a wide range of topics including financial performance, strategy and outlook.

# **Dorrington Property Group Limited**

## **Strategic report (continued)**

### **Section 172 (1) statement – Engaging with stakeholders (continued)**

#### **Colleagues**

The health and wellbeing of our colleagues is a priority.

We have invested in additional IT equipment to enable our colleagues to work from home during government lockdown. In the office we carried out a thorough risk assessment and put extra hygiene measures and social distancing rules in place to protect the health and safety of everyone in the building.

We provide an Employee Assistance Programme as a support mechanism for anyone facing mental health challenges.

Training opportunities have continued virtually throughout the year.

#### **Customers**

Our ambition is to deliver best-in-class service to our commercial and residential occupiers. We utilise surveys with customers to understand their needs and views and listen to how we can improve our offer and service to them. We use this knowledge to inform our decision-making.

#### **Suppliers**

The Board recognises that relationships with trusted suppliers are integral to the business's long-term success. We build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships.

#### **Communities**

We aim to contribute to the communities in which we operate in a proactive and positive way. We support and encourage our colleagues to contribute to non-profit and charitable organisations; particularly those associated with our communities.

#### **Environment**

A steering committee holds regular meetings to review our progress related to our environmental commitments.

The Group is now a corporate member of the UK Green Building Council, an industry body representing leadership in sustainability.

For a full disclosure on the energy and carbon reporting, refer to the strategic report of the parent company Hanover Acceptances Limited.

#### **Government and regulators**

We engage with government, regulators and other authorities primarily through our active membership of the British Property Federation and its various committees. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Approved by the Board of Directors  
and signed by order of the Board:



M B Jenkins  
For and on behalf of  
Hanover Management Services Limited  
Company Secretary

29<sup>th</sup> June 2022

# **Dorrington Property Group Limited**

## **Directors' report**

The directors present their annual report for the company, together with the audited financial statements and auditor's report, for the year ended 31 December 2021. This should be read in conjunction with the Strategic Report on page 2.

Future developments are discussed within the strategic report on page 3.

### **Going concern**

The directors have assessed the impact of the current economic uncertainty on all aspects of the business, focussing specifically on operations and cash flows of the group. The assessment of the ability of the group to continue as a going concern has been undertaken having regard to these circumstances and management have undertaken stress-testing of forecasts and have completed a reverse stress test.

This stress-testing included assessing the levels of cash and available finance within the group assuming a very significant reduction in turnover on the basis of reduced sales of trading stock, customer default or payment plans, reduced lettings and increased vacancies at break and expiry. This has been offset in the scenarios by a review and deferment in uncommitted capital expenditure, where necessary.

The directors have considered the ongoing availability of finance by modelling the impact on loan covenants of reduced income and significant decreases in valuations of properties. Even considering reasonably likely downside scenarios there are no covenant breaches forecast. The reverse stress test reflects the fact that trading sales and rental income would need to decline significantly, which has not been the group's experience to date.

Based on reviewing these forecasts and sensitivities the directors have concluded that the company is a going concern and accordingly have prepared the financial statements on this basis. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

### **Dividends**

A dividend of £7m (35p per ordinary share) was paid during the year ended 31 December 2021, (2020: £6m, 30p per ordinary share).

### **Directors**

All directors except for J P Kennedy, M B Jenkins and T Moross served throughout the year and subsequently. J P Kennedy resigned on 22 February 2021, M B Jenkins was appointed on 22 February 2021 and T Moross resigned on 1 April 2022.

### **Directors' indemnities**

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

## **Dorrington Property Group Limited**

### **Directors' report (continued)**

#### **Disclosure of information to auditor**

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### **Auditor**

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors  
and signed by order of the Board:



M B Jenkins  
For and on behalf of  
Hanover Management Services Limited  
Company Secretary  
29<sup>th</sup> June 2022



# **Dorrington Property Group Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **Dorrington Property Group Limited**

## **Independent auditor's report to the members of Dorrington Property Group Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Dorrington Property Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Dorrington Property Group Limited**

### **Independent auditor's report to the members of Dorrington Property Group Limited (continued)**

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006, UK GAAP FRS 102 and UK tax legislation.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety regulations, general data protection regulation and the Landlord and Tenant Act.

## **Dorrington Property Group Limited**

### **Independent auditor's report to the members of Dorrington Property Group Limited (continued)**

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Our first significant risk in respect of fraud has been pinpointed to the valuation of trading properties at the year end. Trading properties are held at the lower of cost and realisable value. The process for valuing the properties is internal, therefore the risk has been pinpointed to the key assumptions used when determining the valuations.

- We obtained and documented an understanding of relevant controls in the valuation process and in particular the information provided to the valuers;
- We have challenged the key assumptions used by the valuation team, including those in respect of yields, discounts and expected rental values. In doing so, we have sought to benchmark against relative comparatives, evaluated contradictory evidence and obtained documentation and understanding in respect of key properties.
- We tested the data provided to the internal valuer. This included obtaining an independent source of the tenants at the property and verifying that they were appropriately included in the data relied upon in the valuation.

Our second significant risk in respect of fraud has been pinpointed to the valuation of investment properties at the year end. The process for valuing the properties is internal, therefore the risk has been pinpointed to the key assumptions used when determining the valuations.

- We obtained and documented an understanding of relevant controls in the valuation process and in particular the information provided to the valuers;
- We have challenged the key assumptions used by the valuation team, including those in respect of yields, discounts and expected rental values. In doing so, we have sought to benchmark against relative comparatives, evaluated contradictory evidence and obtained documentation and understanding in respect of key properties.
- We tested the data provided to the internal valuer. This included obtaining an independent source of the tenants at the property and verifying that they were appropriately included in the data relied upon in the valuation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

## **Dorrington Property Group Limited**

### **Independent auditor's report to the members of Dorrington Property Group Limited (continued)**

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

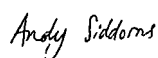
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

##### **Use of our report**

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



Andy Siddorns FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

29<sup>th</sup> June 2022

# Dorrington Property Group Limited

## Consolidated Profit and loss account For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Turnover</b>	3	72,815	74,468
Cost of properties sold		(7,470)	(14,402)
Property expenses		<u>(19,304)</u>	<u>(16,146)</u>
<b>Cost of sales</b>		<u>(26,774)</u>	<u>(30,548)</u>
<b>Gross profit</b>		46,041	43,920
Administrative expenses		<u>(8,282)</u>	<u>(6,917)</u>
		37,759	37,003
Provisions against investments		55	102
Unrealised gains/(losses) on revaluation of investment properties	6, 11	29,797	(42,754)
Profit on sale of tangible fixed assets – group	4	<u>1,155</u>	<u>913</u>
<b>Operating profit/(loss)</b>	3, 6	68,766	(4,736)
Finance costs (net)	7	<u>(19,279)</u>	<u>(20,786)</u>
<b>Profit/(loss) before taxation</b>		49,487	(25,522)
Tax on profit/(loss)	8	<u>(29,913)</u>	<u>4,493</u>
<b>Profit/(loss) for the financial year</b>		<u><u>19,574</u></u>	<u><u>(21,029)</u></u>

All activities derive from continuing operations.

## **Dorrington Property Group Limited**

### **Consolidated Statement of Comprehensive Income For the year ended 31 December 2021**

	<b>Note</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>Profit/(loss) for the financial year</b>		19,574	(21,029)
Mark to market gains/(losses) arising during the period on cash flow hedges		12,546	(2,408)
Movement due to swap expiry		1,729	-
Movements re swap cancellations		1,258	1,258
Tax relating to components of other comprehensive income	17	(3,109)	219
<b>Total comprehensive income/(expense) for the year</b>		<u>31,998</u>	<u>(21,960)</u>

# Dorrington Property Group Limited

## Consolidated Balance Sheet For the year ended 31 December 2021

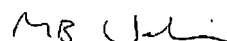
	Notes	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Tangible assets	11	1,094,698	1,015,030
Other investments	13	113	80
		<u>1,094,811</u>	<u>1,015,110</u>
<b>Current assets</b>			
Stocks	14	118,699	120,284
Debtors due within one year	15	19,048	10,490
Debtors due after one year	15	14,935	7,110
Cash at bank and in hand		27,663	36,153
		<u>180,345</u>	<u>174,037</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(18,678)</u>	<u>(12,770)</u>
<b>Net current assets</b>		<u>161,667</u>	<u>161,267</u>
<b>Total assets less current liabilities</b>		<u>1,256,478</u>	<u>1,176,377</u>
<b>Creditors: amounts falling due after one year</b>	16	(557,847)	(532,317)
<b>Provision for liabilities</b>	17	<u>(86,519)</u>	<u>(56,946)</u>
<b>Net assets</b>		<u>612,112</u>	<u>587,114</u>
<b>Capital and reserves</b>			
Called up share capital	18	20,000	20,000
Hedging reserve	18	914	(11,510)
Other reserve	18	159	159
Profit and loss account	18	591,039	578,465
<b>Shareholders' funds</b>		<u>612,112</u>	<u>587,114</u>

The financial statements of Dorrington Property Group Limited, Company Registration No. 01065036 were approved by the Board of Directors and authorised for issue on 29<sup>th</sup> June 2022.

Signed on behalf of the Board of Director:

  
S Gorvy (Jun 29, 2022 11:08 GMT+1)

S Gorvy  
Director



M B Jenkins  
Director



# Dorrington Property Group Limited


## Company Balance Sheet As at 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	12	228	228
		<u>228</u>	<u>228</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	547	540
Debtors: amounts falling due after one year	15	153,488	144,736
Cash at bank and in hand		100	107
		<u>154,135</u>	<u>145,383</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(37)</u>	<u>(35)</u>
<b>Net current assets</b>		<u>154,098</u>	<u>145,348</u>
<b>Total assets less current liabilities</b>		<u>154,326</u>	<u>145,576</u>
<b>Creditors: amounts falling due after one year</b>	16	<u>(86,654)</u>	<u>(80,770)</u>
<b>Net assets</b>		<u><u>67,672</u></u>	<u><u>64,806</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	20,000	20,000
Share premium	18	2	2
Other reserves	18	159	159
Profit and loss account	18	47,511	44,645
<b>Shareholders' funds</b>		<u><u>67,672</u></u>	<u><u>64,806</u></u>

The profit for the financial year dealt with in the financial statements of the parent Company was £9.9m (2020: £5.2m).

The financial statements of Dorington Property Group Limited, Company Registration No. 01065036 were approved and authorised for issue by the Board of Directors on 29<sup>th</sup> June 2022.

Signed on behalf of the Board of Directors:

  
Sean Gorvy (Jun 29, 2022 11:08 GMT+1)

S Gorvy  
Director



M B Jenkins  
Director

# Dorrington Property Group Limited

## Consolidated Statement of Changes in Equity For the year ended 31 December 2021

	Notes	Called up share capital £'000	Hedging reserve £'000	Other reserve £'000	Profit and loss account		Total £'000
					Unrealised £'000	Realised £'000	
<b>At 1 January 2020</b>		20,000	(10,579)	159	313,338	292,156	615,074
Total comprehensive expense for the year		-	-	-	-	(21,029)	(21,029)
Movements re swap cancellations		-	1,258	-	-	-	1,258
Gains on fair value of cash flow hedges	19	-	(2,408)	-	-	-	(2,408)
Joint venture adjustment re share of hedges							
Tax relating to items of other comprehensive income	17	-	219	-	-	-	219
Gains arising on revaluation of investment properties	11	-	-	-	(42,754)	42,754	-
Deferred tax charge on revaluation of investment properties	17	-	-	-	9,416	(9,416)	-
Realisation on sale of revalued fixed assets before tax		-	-	-	(6,981)	6,981	-
<b>Total comprehensive expense</b>		-	(931)	-	(40,319)	19,290	(21,960)
Dividend paid	10	-	-	-	-	(6,000)	(6,000)
<b>At 31 December 2020</b>		<u>20,000</u>	<u>(11,510)</u>	<u>159</u>	<u>273,019</u>	<u>305,446</u>	<u>587,114</u>

## Dorrington Property Group Limited

### Consolidated Statement of Changes in Equity For the year ended 31 December 2021

	Notes	Called up share capital £'000	Hedging reserve £'000	Other reserve £'000	Profit and loss account		Total £'000
					Unrealised £'000	Realised £'000	
<b>At 1 January 2021</b>		20,000	(11,510)	159	273,019	305,446	587,114
Total comprehensive income for the year		-	-	-		19,574	19,574
Movement re swap cancellation		-	1,258	-	-	-	1,258
Movement re swap expiry		-	1,729	-	-	-	1,729
Gains on fair value of cash flow hedges	19	-	12,546	-	-	-	12,546
Tax relating to items of other comprehensive income	17	-	(3,109)	-	-	-	(3,109)
Gains arising on revaluation of investment properties	6, 11	-	-	-	29,797	(29,797)	-
Deferred tax charge on revaluation of investment properties	17	-	-	-	(24,368)	24,368	-
Realisation on sale of revalued fixed assets before tax		-	-	-	(3,310)	3,310	-
<b>Total comprehensive income</b>		-	12,424	-	2,119	17,455	31,998
Dividend paid	10	-	-	-	-	(7,000)	(7,000)
<b>At 31 December 2021</b>		<u>20,000</u>	<u>914</u>	<u>159</u>	<u>275,138</u>	<u>315,901</u>	<u>612,112</u>

Included in profit and loss account is £275,138,000 (2020: £273,019,000) of profits which is not available for distribution as they are unrealised.

## Dorrington Property Group Limited

### Company Statement of changes in equity For the year ended 31 December 2021

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	Notes	Called up share capital £'000	Other reserves £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2020		20,000	159	2	45,413	65,574
Total comprehensive income for the year		-	-	-	5,232	5,232
<b>Total comprehensive income</b>		-	-	-	5,232	5,232
Dividend paid	10	-	-	-	(6,000)	(6,000)
At 31 December 2020		20,000	159	2	44,645	64,806
Profit for the financial year		-	-	-	9,866	9,866
<b>Total comprehensive income</b>		-	-	-	9,866	9,866
Dividend paid	10	-	-	-	(7,000)	(7,000)
At 31 December 2021		20,000	159	2	47,511	67,672

# Dorrington Property Group Limited

## Consolidated cash flow statement For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Net cash flows from operating activities</b>	<b>20</b>	<b>32,816</b>	<b>39,386</b>
<b>Cash flows from investing and servicing of finance activities</b>			
Proceeds from sale of tangible fixed assets		11,614	12,279
Purchase of tangible fixed assets		(60,454)	(30,203)
Purchase of fixed asset investments		(60)	(36)
Interest received		35	127
Interest paid		(17,768)	(19,744)
<b>Net cash flows from investing activities</b>		<b>(66,633)</b>	<b>(37,577)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(7,000)	(6,000)
Debt due within one year:			
New loan		20,000	-
Debt due after one year:			
Loans repaid		-	(37,660)
Loans from parent		(10,317)	(4,479)
New loans		24,000	75,300
Non-cash movements		1,182	-
<b>Net cash flows from financing activities</b>		<b>27,865</b>	<b>27,161</b>
<b>Taxation – UK</b>		<b>(3,449)</b>	<b>(4,698)</b>
<b>Increase in cash in the year</b>		<b>(9,401)</b>	<b>24,272</b>
Cash and cash equivalents at the beginning of the year		35,636	11,364
<b>Cash and cash equivalents at the end of the year</b>	<b>22</b>	<b>26,235</b>	<b>35,636</b>

The cash and cash equivalents at the end of the year represents cash at bank of £27,663,000 and an overdraft balance of £1,428,000.

# **Dorrington Property Group Limited**

## **Notes to the financial statements For the year ended 31 December 2021**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### **Statutory information**

Dorrington Property Group Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1.

#### **Accounting convention**

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The policies have been applied consistently in the current and prior year.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling.

Dorrington Property Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to the disclosure of financial instruments, intra-group transactions, remuneration of key management personnel and related party transactions.

#### **Going concern**

The directors have assessed the impact of current economic uncertainty on all aspects of the business, focussing specifically on operations and cash flows of the group. The assessment of the ability of the group to continue as a going concern has been undertaken having regard to these circumstances and management have undertaken stress-testing of forecasts and have a completed a reverse stress test.

This stress-testing included assessing the levels of cash and available finance within the group assuming a very significant reduction in turnover on the basis of reduced sales of trading stock, customer default or payment plans, reduced lettings and increased vacancies at break and expiry. This has been offset by a review and deferment in uncommitted capital expenditure, where necessary. The directors have considered the ability and intent of the ultimate holding company to provide this support and are satisfied that this will remain available.

The directors have also considered the ongoing availability of finance by modelling the impact on loan covenants of reduced income and significant decreases in valuations of properties. Even considering reasonably likely downside scenarios there are no covenant breaches forecast. The reverse stress test reflects the fact that trading sales and rental income would need to decline significantly which has not been the group's experience to date.

Based on reviewing these forecasts and sensitivities the directors have concluded that the company is a going concern and accordingly have prepared the financial statements on this basis. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

# **Dorrington Property Group Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2021**

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

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year.

#### **Turnover**

Turnover excludes value added tax (where applicable), represents sales of trading properties and rents receivable.

Sales are invoiced when the services have been performed at the point of completion. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **Dividend and interest income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and interest is charged at a commercial rate.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties, certain group occupied buildings and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold and long leasehold buildings    Over 40 years

Office equipment and other assets        5 years

#### **Investment properties**

Investment properties are measured at fair value annually with any change recognised in the profit and loss account.

#### **Stocks**

Trading properties, which are held as stock, are valued at the lower of cost and net realisable value. Deficits against cost are charged to cost of sales in the profit and loss account.

#### **Leases**

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

#### **Pension scheme**

The Group is a member of the Hanover Acceptances Limited Group Pension Scheme, which is a defined benefit scheme covering certain employees. As the employer is unable to identify its share of the underlying assets and liabilities, the scheme is treated as if it were a defined contribution scheme and the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. Independent actuarial valuations of the scheme are made every three years. Further details of the Scheme are disclosed in note 5.

# **Dorrington Property Group Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2021**

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

#### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value. An annual review is carried out to adjust the provision required to reflect the movement in the net asset value at the end of each year.

Investments in subsidiary undertakings in the company's balance sheet are stated at cost less provision for impairment refer to note 12.

#### **Investments in associates**

In the group financial statements investments in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of associates' profit less losses while the group's share of the net assets of the associate is shown in the consolidated balance sheet.

#### **Fixed asset investments**

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

#### **Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. An assessment is performed where one or more events occur that may indicate potential impairment. The recoverable amount of an asset is then assessed, based on the higher of its fair value less costs to sell and its value of use. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss account.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. 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 Group after deducting all of its liabilities.

#### *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price, excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are offset in the Balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans are measured at cost (which may be £nil) less impairment.



# **Dorrington Property Group Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2021**

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

#### **Financial instruments (continued)**

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property and investment property, measured using the revaluation model is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or statement of changes in equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

### **2. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

## Dorrington Property Group Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

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

##### Estimates

###### *Property portfolio valuation*

The valuation of the Group's stocks is inherently subjective, held at £118.7m (2020: £120.3m) as per note 14. The stocks are valued by the directors of the company who are members of the Royal Institution of Chartered Surveyors, as at each balance sheet date. An assessment is then performed in respect of the carrying value of the stocks, based on the value attributed. Assumptions are made with regards to sales value in an open market, external market conditions and potential future revenue streams or value in use. The directors believe the market value of work in progress held to be in excess of the book value and therefore no impairment is required.

Freehold and long leasehold land and buildings are revalued at fair value by those directors of the company and subsidiary undertakings who are members of the Royal Institution of Chartered Surveyors, as at each balance sheet date, refer to note 11.

###### *Derivative financial instruments*

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates, refer to note 19.

##### Judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

###### *Application of hedge accounting*

The Group applies the hedge accounting qualifications required under FRS 102 paragraph 12.18. In some instances, the Group employs long dated hedging instruments that go beyond the expiry date of the hedged items. In order to document the hedging relationship, the Group has determined that the hedged item will be renewed consistently to the expiry date of the hedging instrument.

#### 3. Analysis of turnover, operating profit and net assets

The analysis of turnover and operating profit (all derived in UK) is:

Class of business	Turnover		Operating profit	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Property trading sales	28,343	27,945	20,459	13,238
Rental income	44,472	46,523	48,298	(18,040)
Central administration and finance	-	-	9	66
	<u>72,815</u>	<u>74,468</u>	<u>68,766</u>	<u>(4,736)</u>

The segmental analysis is performed at operating profit level because of the inability to allocate the net interest charges to the types of business.

# Dorrington Property Group Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 3. Analysis of turnover, operating profit and net assets (continued)

The analysis of net assets employed, and including the trading property stock surpluses totalling £181,267,000 (2020: £181,478,000), is:

	2021 £'000	2020 £'000
<b>Class of business</b>		
Property trading	482,518	479,999
Property investment	243,548	234,010
Central administration and finance	67,313	54,583
Adjusted net assets	793,379	768,592
Less surplus on revaluation of trading properties	(181,267)	(181,478)
Net assets	612,112	587,114

### 4. Profit on sale of tangible fixed assets

	2021 £'000	2020 £'000
Group	1,155	913
	1,155	913

### 5. Information regarding directors and employees

Average monthly number of employees by activity (including directors):

	2021 No.	2020 No.
Property investment, trading and management	26	31

Employee costs (including directors) during the year:

	2021 £'000	2020 £'000
Wages and salaries	3,776	3,786
Social security costs	498	474
Other pension costs	197	231
	4,471	4,491

Other pension costs include only those items included within operating costs. Items reported elsewhere have been excluded.

# Dorrington Property Group Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 6. Operating profit/(loss)

	2021 £'000	2020 £'000
Depreciation of tangible fixed assets	123	92
Auditor's remuneration		
- Fees paid to the Company's auditor for the audit of the company's annual financial statements	14	10
- Fees paid to the Company's auditor for the audit of the company's subsidiaries pursuant to legislation.	160	129
- Fees paid to the Company's auditor for non-audit services.	-	33
Unrealised (gains)/losses on fair value movement of investment properties	(29,797)	42,754
Decrease in diminution in value of trading stocks below cost	(989)	(238)
	<u>          </u>	<u>          </u>

The non-audit fees included within operating profit for the year was nil (2020: £33,000).

### 7. Finance income (net)

	2021 £'000	2020 £'000
Interest payable and similar expenses	19,314	20,913
Less: investment income	(35)	(127)
	<u>19,279</u>	<u>20,786</u>
<b>Investment income</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Bank interest	1	15
Other loans	34	112
	<u>35</u>	<u>127</u>
<b>Interest payable and similar expenses</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Loans from Group undertaking	716	970
Interest on bank loans and overdraft	18,307	19,943
Other interest	291	-
	<u>19,314</u>	<u>20,913</u>

## Dorrington Property Group Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

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

	2021 £'000	2020 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 19% (2020: 19%)	4,165	4,898
Overseas tax	2	2
Adjustments in respect of prior years	(718)	(202)
<b>Total current tax</b>	<b>3,449</b>	<b>4,698</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,784	(20)
Adjustments in respect of prior years	313	245
Effect of movement in value of investment properties	6,344	(9,416)
Effect of change in tax rate on opening liability of investment properties	18,023	-
<b>Total deferred tax (note 17)</b>	<b>26,464</b>	<b>(9,191)</b>
<b>Total tax on profit/(loss)</b>	<b>29,913</b>	<b>(4,493)</b>

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax is as follows:

	2021 £'000	2020 £'000
Group profit/(loss) before tax	49,487	(25,522)
Profit multiplied by standard rate of corporation tax in the UK	9,403	(4,849)
Overseas tax	2	2
Effects of:		
Expenses not deductible for tax purposes	29	22
Impact of allowances on the net revaluation of investment properties	1,413	175
Utilisation of indexation on chargeable gains	(151)	(374)
Fair value adjustment attributed at acquisition to assets sold or written down in the year	93	557
Effect of change in tax rate on opening liability on investment properties	18,023	-
Effect of change in tax rate on opening liability on other deferred tax	(405)	(43)
Other tax rate impacts	1,310	(26)
Adjustments to tax in respect of previous periods	196	43
<b>Total tax for the year</b>	<b>29,913</b>	<b>(4,493)</b>

The UK Finance Act 2020, enacted provisions to increase the main rate of UK corporation tax to 19% from 1 April 2020 were introduced. Accordingly, the deferred tax at 31 December 2020 was calculated at this rate.

The Finance Act 2021, which was substantively enacted on 24 May 2021, included provisions to increase the rate further to 25% effective from 1 April 2023. This rate has been applied when calculating the deferred tax at the year end given the expected timing of the unwinding of tax amounts.

There is no expiry date on timing differences, unused tax losses or tax credits.

# Dorrington Property Group Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 9. Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

The company made a profit after taxation of £9,866,000 (2020: £5,232,000).

### 10. Dividends paid on equity shares

	2021 £'000	2020 £'000
Dividend paid on ordinary shares 35p per share (2020: 30p per share)	7,000	6,000

### 11. Tangible fixed assets

Group	Investment properties £'000	Office equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 2021	1,014,773	667	1,015,440
Additions	60,286	167	60,453
Disposals	(10,459)	-	(10,459)
Unrealised loss on revaluation	29,797	-	29,797
At 31 December 2021	1,094,397	834	1,095,231
<b>Accumulated depreciation</b>			
At 1 January 2021	73	337	410
Charge for the year	-	1243	123
At 31 December 2021	73	460	533
<b>Net book value</b>			
At 31 December 2021	1,094,324	374	1,094,698
At 31 December 2020	1,014,700	330	1,015,030

Investment properties comprise the following tenures:

	2021 £'000	2020 £'000
Freehold	959,445	933,442
Long leasehold	134,879	81,258
	1,094,324	1,014,700

# Dorrington Property Group Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 11. Tangible fixed assets (continued)

Freehold and long leasehold investment properties were revalued to fair value by those directors of the company and subsidiary undertakings who are members of the Royal Institution of Chartered Surveyors, at £1,094,324,000 (2020: £1,014,700,000) as at 31 December 2021. For the residential assets, the Group's in-house team provided a vacant possession value, against which a discount is applied to establish the fair value. The discounts are established by tenancy type and are based on evidence gathered from recent transactional market evidence. For the commercial assets, the valuation is based on an assessment of the future cash flows that will arise and on the effective interest rate used to discount those cash flows. The key assumptions are typically market related, such as yields and discount rates, and are based on their professional judgement and market observation.

The net revaluation surplus of £29,797,000 (2020: deficit £42,754,000) has been recognised in the profit and loss account and is classified as unrealised and non-distributable.

The historical cost of the investment properties was £745,348,000 (2020: £692,211,000).

Investment properties with a carrying amount of £1,031,638,000 (2020: £988,850,000) have been pledged to secure borrowings of the Group.

Included in investment properties are Group occupied freehold office buildings held at a valuation of £20,000,000 (2020: £20,000,000). No depreciation has been provided on these properties, as the charge is considered immaterial.

At the balance sheet date, the group had contracted with tenants for the following minimum lease payments:

	2021 £'000	2020 £'000
Within one year	41,897	35,754
In the second to fifth years inclusive	51,730	45,450
After five years	32,121	25,619

The group has entered into non –cancellable contractual commitments in respect of properties of £5,959,000 (2020: £6,726,000). The group is additionally contractually obliged to carry out annual repairs and maintenance in respect of investment properties, which in the current year amounted to £5,427,000 (2020: £4,106,000).

### 12. Investments in subsidiary undertakings

Company	2021 £'000	2020 £'000
At cost		
At 1 January	228	228
At 31 December	228	228
Net book value at 1 January and 31 December	228	228

## Dorrington Property Group Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 12. Investments in subsidiary undertakings (continued)

The subsidiary undertakings in which the company has an interest are listed in Note 25. The principle directly held subsidiaries are listed below. Except where otherwise stated, all are wholly owned ordinary shares, are incorporated and operate in the United Kingdom and are registered in England and Wales with registered address at 16 Hans Road, London SW3 1RT.

	Activity:
Dorrington PLC	Investment holding
Dorrington Estates Limited	Investment holding
SGMS Limited	Investment

#### 13. Other fixed asset investments

Group	Investments in associated undertakings £'000	Other investments £'000	Total £'000
<b>Cost</b>			
At 1 January 2021	15	180	195
Additions	-	60	60
At 31 December 2021	15	240	255
<b>Provisions</b>			
At 1 January 2021	-	115	115
Charge for the year	-	27	27
At 31 December 2021	-	142	142
<b>Net book value</b>			
At 31 December 2021	15	98	113
At 31 December 2020	15	65	80

In the opinion of the directors, the market value of the investments is not less than the value stated in the balance sheet.



## Dorrington Property Group Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 13. Other fixed asset investments (continued)

Other investments are held at cost less impairment because their fair value cannot be measured reliably.

Company	Registered office address	Principal activity	Proportion of equity capital and voting rights held
The group has not received any share of profit or loss from its investments in the associated undertakings during the year (2020: £nil). The associated undertakings are dormant companies and the shares in the following company have been treated as an investment in associated undertakings:			
The shares in the following dormant company have been treated as an investment in associated undertakings:			
Sanfield Properties Limited	16 Hans Road, London SW3 1RT	Property investment	50%
Dorrington Derwent Holdings Limited	16 Hans Road, London SW3 1RT	Holding company for property investment and trading subsidiary undertakings	50%
Promote Investments Limited	16 Hans Road, London SW3 1RT	Property investment	50%

#### 14. Stocks

Group	2021 £'000	2020 £'000
Trading properties	118,699	120,284

The directors' assessment of the fair value of the stock of trading and development properties at 31 December 2021 was £299,965,000 (2020: £301,762,000).

At the balance sheet date, the group had contracted with tenants for the following minimum lease payments:

	2021 £'000	2020 £'000
Within one year	4,785	7,071
In the second to fifth years inclusive	11,362	17,410
After five years	2,195	3,832

The group has entered into non –cancellable contractual commitments in respect of properties of £nil (2020: £2,481,000). The group is additionally contractually obliged to carry out annual repairs and maintenance in respect of the property, which in the current year amounted to £5,866,000 (2020: £4,743,000).

#### 15. Debtors

	Due within one year		Due after one year	
Group	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade debtors	6,920	6,608	-	-
Other debtors	10,870	2,919	12,314	7,110
Prepayments and accrued income	1,258	963	-	-
Derivative financial instruments (note 19)	-	-	2,621	-
	19,048	10,490	14,935	7,110

# Dorrington Property Group Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 15. Debtors (continued)

Company	Due within one year		Due after one year	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts due from other group undertakings	-	-	150,631	141,309
Other loans	-	-	2,857	3,427
Other debtors	547	540	-	-
	<u>547</u>	<u>540</u>	<u>153,488</u>	<u>144,736</u>

Other debtors include amounts relating to rent free period given to tenants and the incentive is spread over the term of the lease.

The loans from other group undertakings are repayable after one year with no fixed repayment date. The loans are unsecured and interest is charged at an average commercial rate of 2.11% (2020: 2.23%).

### 16. Creditors

Group	Due within one year		Due after one year	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	(5)	(839)	518,213	472,954
Trade creditors	2,403	2,237	-	-
Derivative financial instruments (note 19)	42	1,729	-	9,967
Amounts due to parent undertakings	-	-	32,058	42,375
Amounts due to subsidiary undertakings	-	-	4,621	4,621
Accruals	5,321	6,923	-	-
Deferred income	6,094	1,294	-	-
Other creditors	4,823	1,426	2,955	2,400
	<u>18,678</u>	<u>12,770</u>	<u>557,847</u>	<u>532,317</u>
<b>Analysis</b>				
Repayable after one year to five years			363,777	330,750
Repayable after five years			194,070	201,567
			<u>557,847</u>	<u>532,317</u>

# Dorrington Property Group Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 16. Creditors (continued)

Company	Due within one year		Due after one year	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts due to parent undertakings	-	-	32,058	42,375
Amounts due to subsidiary undertakings	-	-	54,596	38,395
Accruals	37	35	-	-
	<u>37</u>	<u>35</u>	<u>86,654</u>	<u>80,770</u>
<b>Analysis</b>				
Repayable after one to five years			-	-
Repayable after five years			86,654	80,770
			<u>86,654</u>	<u>80,770</u>

Other creditors balance represents tenants' deposit, funding provided to managing agents and managing agents balances.

The loans from the subsidiary and parent undertakings are repayable after one year with no fixed repayment date. The loans are unsecured and interest is charged at an average commercial rate at 2.11% (2020: 2.23%).

Loans and overdrafts are repayable as follows:

	Group 2021 £'000	Group 2020 £'000
Bank loans and overdrafts	518,208	472,115
Less: amounts falling due within one year	(5)	(839)
Amounts falling due after more than one year	<u>518,213</u>	<u>472,954</u>
<b>Analysis of loan repayments:</b>		
Bank loans and overdrafts		
Within one year or on demand	(5)	(839)
In more than one but less than two years	125,762	(1,356)
In more than two but less than five years	238,015	320,124
In more than five years	154,436	154,186
	<u>518,208</u>	<u>472,115</u>

The bank loans and overdrafts are repayable at par and are secured by certain properties owned by subsidiary undertakings. Interest is payable at rates related to LIBOR. Refer to note 11 for investment properties secured against loan borrowings of the Group.

Exposure to price, credit and interest rate arise in the normal course of the group's business. Derivative financial instruments are used to manage exposure to fluctuations in interest rates but are not employed for speculative purposes.

# Dorrington Property Group Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 17. Provisions for liabilities

Group	2021 £'000	2020 £'000
<b>Deferred taxation</b>		
Balance at 1 January	56,946	66,356
Charged/(credited) to profit and loss account	26,464	(9,108)
Charged to statement of other comprehensive income	3,109	(219)
	<u>86,519</u>	<u>56,946</u>
Balance at 31 December	<u>86,519</u>	<u>56,946</u>
Provision for the Group's potential deferred tax liability comprises:		
Capital allowances	5,452	3,445
Deferred tax arising on the revaluation of investment properties	81,442	57,074
Deferred tax arising on the fair value of derivatives	408	(2,700)
Other timing differences	(783)	(873)
	<u>86,519</u>	<u>56,946</u>
Balance at 31 December	<u>86,519</u>	<u>56,946</u>

A deferred tax rate of 25% has been applied for the financial year further to the enactment of the Finance Act 2021 on 24 May 2021. The opening deferred tax balance has been restated to reflect the change in rate from 19% to 25%.

### 18. Called up share capital and reserves

	2021 £	2020 £
<b>Allotted, called up and fully paid:</b>		
20,000,150 ordinary shares of £1 each (2020: 20,000,150 shares)	20,000,150	20,000,150
90 ordinary deferred shares of £1 each	90	90
20 'A' deferred shares of £1 each	20	20
	<u>20,000,260</u>	<u>20,000,260</u>
Less amount shown under creditors in accordance with Financial Reporting Standard 102	(20)	(20)
	<u>20,000,240</u>	<u>20,000,240</u>

The ordinary deferred shares have no voting rights and are not entitled to a dividend. The 'A' deferred shares rank pari passu with the ordinary deferred shares except they have the right to receive dividends.

In accordance with Financial Reporting Standard 102 preference shares with a contractual obligation to pay dividends have been reclassified as "Other creditors" due after one year.

The profit and loss reserve represents cumulative profits, including unrealised profit on the remeasurement of listed investments, net of dividends paid and other adjustments.

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

# Dorrington Property Group Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 19. Derivative financial instruments

Group	2021 £'000	2020 £'000
<b>Derivatives that are designated and effective as hedging instruments carried at fair value</b>		
<b>Assets/(Liabilities)</b>		
Interest rate swaps	2,579	(11,000)
Interest rate caps and collars	-	(696)
Balance at 31 December (note 17)	<u>2,579</u>	<u>(11,696)</u>

#### Group Interest rate swap contracts

The following table details the notional principle amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Outstanding receive floating pay fixed contracts	Average contract fixed		Notional principal value		Fair value	
	interest rate					
	2021	2020	2021	2020	2021	2020
	%	%	£'000	£'000	£'000	£'000
<1 year	1.00	4.70	60,000	75,000	(42)	1,729
1 to 2 years	1.09	1.00	75,000	60,000	(96)	661
2 to 5 years	1.42	1.34	69,500	59,500	(1,461)	8,421
5 years +	0.35	0.35	150,000	150,000	4,178	885
Balance at 31 December			<u>354,500</u>	<u>344,500</u>	<u>2,579</u>	<u>11,696</u>

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is SONIA. The group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the group's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

A profit of £12,546,000 (2020: loss of £2,408,000) was recognised in the other comprehensive income statement.

From 31 December 2021, LIBOR has discontinued as a benchmark rates for loans and hedging instruments due to regulatory changes and the Group has transitioned to SONIA.

# Dorrington Property Group Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 20. Cash flow statement

Reconciliation of operating (loss)/profit to net cash inflow from operating activities:

	2021 £'000	2020 £'000
Operating (loss)/profit	68,766	(4,736)
Adjustment for:		
Depreciation of tangible fixed assets	123	92
Amortisation of fixed assets investment	27	19
(Increase)/decrease in fair value of investment property	(29,797)	42,754
Profit on sale of tangible fixed assets	(1,155)	(928)
Operating cash flow before movement in working capital	37,964	37,201
Decrease in stocks	1,585	6,286
Increase in debtors	(13,762)	(288)
Increase/(decrease) in creditors	7,029	(3,813)
Net cash inflow from operating activities	32,816	39,386

### 21. Reconciliation of net cash flow to movement in net debt

	2021 £'000	2020 £'000
(Decrease)/increase in cash in year	(8,490)	24,272
(Increase)/decrease in short term borrowings	(20,911)	37,660
Increase in medium term loans	(25,182)	(75,300)
Movement in net debt in the year	(54,583)	(13,368)
Opening net debt	(435,962)	(422,594)
Closing net debt	(490,545)	(435,962)

## Dorrington Property Group Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 22. Analysis of net debt

	At 1 January 2021 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 December 2021 £'000
Cash at bank and in hand	36,153	(8,490)	-	27,663
Overdrafts	(517)	(911)	-	(1,428)
	<u>35,636</u>	<u>(9,401)</u>	<u>-</u>	<u>26,235</u>
Debt due within one year	1,356	-	77	1,433
Debt due after one year	(472,954)	(44,000)	(1,259)	(518,213)
	<u>(435,962)</u>	<u>(53,401)</u>	<u>1,182</u>	<u>(490,545)</u>

Other non-cash amount of £1,182,000 represents movement of amortisation of bank related fees.

#### 23. Capital commitments

Capital commitments not provided for in the financial statements are as follows:

Group	2021 £'000	2020 £'000
Contracted	<u>5,959</u>	<u>9,207</u>

The group has agreed a capital commitment of £6.0m (2020: £9.2m) for its commercial and residential properties.

#### 24. Ultimate parent undertaking

The company's ultimate parent company and controlling party is Quadriga International Limited, a company incorporated in the British Virgin Islands.

The company is a subsidiary of its immediate parent undertaking Hanover Acceptances Limited, which is incorporated in the United Kingdom and registered in England and Wales. Hanover Acceptances Limited is the largest and smallest group for which consolidated financial statements are prepared.

Copies of the financial statements of Hanover Acceptances Limited are available from the registered address via Company Secretary, 16 Hans Road, London SW3 1RT.

## Dorrington Property Group Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 25. Subsidiary undertakings

All subsidiaries have been incorporated in the United Kingdom and are registered in England and Wales, with registered office address as 16 Hans Road, London, SW3 1RT. They are 100% owned.

##### Directly held:

	Activity:
Dorrington PLC	Property Investment
Dorrington Estates Limited	Investment Holding
Hanover Administrators Limited	Dormant
Hanover Financial Services Limited	Dormant
Lovat Pride (Mineral Water) Limited	Dormant
Portmans (Property Consultants) Limited	Dormant
SGMS Limited	Investment
Tamoa Investments Limited	Dormant

##### Indirectly held:

	Activity:
25 Randolph Crescent Limited	Dormant
135 Ashmore Road Limited	Dormant
Barcforest Limited	Dormant
British Consolidated Investment Corporation Limited	Dormant
Capital & District Properties Limited	Dormant
City West End & Suburban Shop Property Company Limited	Property Investment
Clifton House Islington Limited	Property Investment
Dorrington (Knightsbridge) Properties Limited	Dormant
Dorrington Belgravia Limited	Property Investment
Dorrington City Limited	Dormant
Dorrington Developments Limited	Dormant
Dorrington Fulwood Limited	Property Investment
Dorrington Hatton Limited	Dormant
Dorrington Housing Limited	Property Trading
Dorrington Investment Plc	Investment Holding
Dorrington Investment Trust Limited	Dormant
Dorrington London Flats Limited	Property Investment
Dorrington Lyndale Limited	Investment Holding
Dorrington Management Limited	Dormant
Dorrington Midtown Limited	Property Investment



## **Dorrington Property Group Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2021**

#### **25. Subsidiary undertakings (continued)**

##### **Indirectly held (continued):**

Dorrington Projects Limited  
Dorrington Properties Plc  
Dorrington Property Developments Limited  
Dorrington Queensway Limited  
Dorrington Residential Limited  
Dorrington Southside Limited  
Dorrington Southwark Limited  
Dorrington West Limited  
Eaton Manor Hove Limited  
F & D Knight Limited  
Hampstead Property (Residential) Limited  
Hampstead Property Limited  
Hanover Acceptances Investments Limited  
Hanover Dorrington Limited  
Hanover Property Trust Limited  
Heath (Properties) Limited  
Highcroft Estates Limited  
Lintsbrook Developments Limited  
London Consolidated Investments Limited  
London Consolidated Properties Limited  
Lyndale Development Company Limited  
OYO Properties Limited  
River's Edge Estates Limited  
Sarsfield Properties Limited  
Spice Property Investments Limited  
Throgmorton Securities Limited  
Union Street Limited  
Ventaquest Developments Limited  
Walworth Investment Properties Limited

##### **Activity (continued):**

Dormant  
Investment Holding  
Property Investment  
Property Investment  
Property Trading  
Property Investment  
Dormant  
Property Investment  
Property Investment  
Dormant  
Dormant  
Dormant  
Dormant  
Dormant  
Dormant  
Dormant  
Dormant  
Dormant  
Dormant  
Dormant  
Dormant  
Property Investment  
Property Trading and Management  
Property Trading  
Dormant  
Dormant  
Property Investment  
Property Investment  
Dormant  
Dormant  
Property Investment

# Dorrington Property Group Limited - 31 12 21 - FINAL

Final Audit Report

2022-06-29

Created:	2022-06-28
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