Registered number: 10949589

LAZARI INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

LAZARI INVESTMENTS LIMITED

COMPANY INFORMATION

DIRECTORS	L Lazari N Lazari A Lazari
COMPANY SECRETARY	N Lazari
REGISTERED NUMBER	10949589
REGISTERED OFFICE	Accurist House 44 Baker Street London W1U 7BR
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 10 Bricket Road St Albans AL1 3JX

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DIRECTORS' STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

Introduction:

Lazari Investments Limited "the Group" continued to make significant progress during the financial year ending 31st March 2019 despite political and economic uncertainty against the backdrop of prolonged Brexit negotiations.

Whilst we have contingency plans to manage any ongoing market volatility, Lazari Investments Limited is in a strong position having realized various key targets within its business model within the said financial period: increasing net asset value and underlying profit, outperforming the wider market in total returns, reducing gearing, achieving record levels of lettings and materially de-risking its current development pipeline, whilst growing its outstanding property investment portfolio and retaining considerable financial capacity for future expansion.

The year in question has been the first full financial period since the demerger of the former Lazari Investments Limited Group in September 2017 to create three independent businesses crystallizing a long-term succession plan for the Lazari family. Lazari Investments Limited (previously Lazari Investments Holdings Limited incorporated in 2017) is the parent company of the Group consisting of nine wholly-owned subsidiaries owning individual property investment portfolios charged to various lenders. There is a further uncharged property portfolio and a property management and servicing company, which was the original 'parent' incorporated in 1976, since renamed as Lazari Investments Management Limited.

The Group is a well-established privately owned commercial property group focusing primarily in the West End of London with an exceptional portfolio of property assets spread over eight estates consisting of 130 separate buildings with 487 occupiers. At the financial year end 31st March 2019, it comprised circa 2.878 million square feet net internal area (NIA) of commercial space along with 118 residential units (together with 745 residential units sold off on long leaseholds) and also 1,479 car spaces.

The portfolio is located 92.98% in capital value terms in the West End with the remaining 7.02% in North and North West London. In terms of sector split, as at 31st March 2019, 69.59% of contracted rent was from offices, 3.20% medical, 22.18% retail, 2.55% leisure, 1.87% residential and the remaining 0.61% from car parking and telecommunications sites.

Financial Results:

These consolidated financial statements have been prepared for the full financial year ending 31st March 2019. The performance comparison commentary from the previous period below is shown on an annual basis for ease of understanding, covering the previous period 1st April 2017 to 31st March 2018. However, the current structure dates from the Group reorganisation in September 2017 and last year's statutory figures were actually reconciled on a six month position to 31st March 2018.

As at 31st March 2019, Lazari Investments Limited Group's property portfolio has been independently valued by JLL at £2.970 billion reflecting an underlying valuation increase of 2.22% or £63.691 million for those properties held for the full year, an outperformance against our benchmark: the MSCI IPD Index for central London offices of 1.2% and 0.4% for the wider MSCI IPD UK all property index. The six major committed development projects, at various stages within their development programme, increased by £68.962 million or 8.16% from £845.038 million to £914.000 million. The remaining investment portfolio fell in value from £2.062 billion to £2.056 billion or 0.29%. The total valuation increase was assisted by a like for like increase in net rent of 1.56% and contracted rent of 3.10% (£3.566 million per annum) for properties held throughout the year.

Our West End portfolio increased in value by 2.93% whereas our North London Portfolio fell in value by – 1.47%.

Total assets (both capital and current) have risen by 2.25% to £3.101 billion (2018 £3.033 billion). Net assets as at 31st March 2019 stood at £1.143 billion, an increase of 6.48% (2018 £1.073 billion) adopting our preferred definition which takes into account all of the UK GAAP Accounting Standards, including FRS102, excluding only a Deferred Tax provision for Capital Gains of £13.437 million and capital allowances of £1.757 million.

Rental income (excluding surrender fees and premiums received) increased to £115.548 million from £105.986 million. Total income increased to £117.438 million from £109.096 million the previous year.

The Group reported underlying pre-tax profits (excluding fair value valuation movements) of £52.485 million, a 44.83% increase on the previous year's comparative figure of £36.234 million. Statutory profit, taking into account the fair value movement on investment properties and financial instruments, for the year was £81.356 million.

During the course of the year, a dividend was distributed to the three shareholders, aggregating to £2.482 million, principally for the purpose of their meeting an outstanding liability owed to HMRC in relation to the Estate of the late Christos Lazari as part of a closing settlement relating to inheritance tax. The inheritance tax liability has now been fully met.

External debt as at 31st March 2019 stood at £1.903 billion (2018 £1.907 billion). This includes twelve subordinated loans made to the property-owning subsidiaries of Lazari Properties 1 – 7 Limited as borrower in December 2016 from a previous Group subsidiary Lazari Finance Limited which was transferred from the Group at the time of the demerger in September 2017. These loans now stand as external debt. Loans from other banking institutions reduced from £1.232 billion to £1.228 billion.

Cash reserves at the year end were £92.263 million (2018 £85.694 million) which will facilitate ongoing committed capital expenditure projects. Gearing calculated as the ratio of total third party borrowings to total gross assets was 61.40% (2018 62.89%) as at 31st March 2019. Excluding the borrowings from Lazari Finance Limited, Group gearing would have been 39.63% (2018 40.63%).

The average unexpired loan profile from banking and institutional lenders, excluding Lazari Finance Limited is six years with average borrowing costs at 3.27%. The aggregated average subordinated borrowing cost from the debt owed to Lazari Finance Limited is 3.01%. At the year-end, 82.23% of our borrowings (excluding derivatives) from banking and institutional lenders were held on fixed interest rates. The borrowings from Lazari Finance Limited are fully fixed.

Capital repayments made throughout the year were £24.547 million. Interest cover as at 31st March 2019, remains at a comfortable level of 277.24% increasing to 294.04% on expiry of rent free periods excluding the debt owed to Lazari Finance Limited. Including this, interest cover reduces to 184.75%, rising to 195.83% on expiry of rent free periods. Total loan cover, including capital amortization of £24.191 million, is 173.74% rising to 184.12% on expiry of rent free periods (excluding the debt to Lazari Finance Limited) or 132.37% rising to 140.18% including the debt owed to Lazari Finance Limited.

Overview and Management:

Demand for Central London offices remains active and we have been able to outperform the market with our various development and asset management activities. Lazari Investments has a well-located portfolio and our expertise in producing well designed office space remains attractive to tenants. We are well positioned to respond to market conditions, reflecting the multi-disciplinary skills of our team as well as the Group's portfolio and financial structure. Our properties are predominantly income producing, let on reversionary rents, and present plenty of opportunities to add further value through management initiatives and regeneration. Our business is underpinned by prudent financing, giving us the freedom to pursue strategies at our own timing.

The London office market has remained surprisingly resilient despite political headwinds. Occupational and investment demand is holding up well and London's economy and workforce continues to grow, albeit at a slower rate. A recent Oxford Economics publication has forecasted London GDP growth averaging 2.7% over the next five years, a 1% differential above the wider UK GDP forecast.

The London office market has changed dramatically over the last few years and is currently not following a typical cyclical pattern with occupational demand and investment turnover being reasonable, supply levels below average, particularly for new or developed stock, yet with political and economic uncertainty providing a brake on sentiment and pricing and occupiers remaining discerning in requiring quality product when committing to new occupational costs. When considering office space corporate occupiers are increasingly cognisant of the expected impact on their employees and customers rather than focusing only cost efficiencies. These trends are playing to our strengths.

According to a Cushman and Wakefield Q1 2019 West End market overview, employment growth in Westminster will remain positive over the next five years. West End office take up was up in Q1 2019 and over the full calendar year for 2018, against both five and ten year averages, whilst net absorption remains positive. Supply is at its lowest since Q2 2016 and is continuing to decline with the development pipeline being constricted with nearly 70% of all space under construction being pre-committed.

Our talented team remains focused on maximizing the opportunities we have to generate long-term value across our business, led by the three Executive Directors, with well-established industry relationships with occupiers, financiers, third party professionals and local communities, underpinning the strength and diversity of the Group.

The entire portfolio is managed internally by a dedicated and committed team ensuring a high-quality provision of service as well as strong financial discipline. At the year end, we had seventy two directly employed members of staff, twenty employed at Head Office with the remaining fifty two being employed in our multi-tenanted buildings. Staff are very loyal by industry standards with low staff turnover.

'I find that the harder I work the more luck I seem to have' – Thomas Jefferson. This truism has, as always, been taken on board by the whole team to achieve the results highlighted and the Board of Directors wish to thank all of the staff for their hard work, unwavering loyalty and the immense contribution shown.

Property Review:

Contracted net rent, after the expiry of rent free periods as at 31st March 2019, was £119,335,924 p.a. achieving an occupancy level of 96.89% based on rental value within the investment portfolio available to let. Of this vacant accommodation, 39.89% was, by way of rental value, firmly under offer and in solicitors hands at the year end. The portfolio is reversionary, as assessed by JLL, to the extent of £40,265,459 p.a. or 33.74% based on an estimated market rental value of 159,601,383 p.a.

There were two leasehold disposals made during the course of the year at an aggregated sale value of £46.700 million against aggregated book values as at 31st March 2018 of £37.750 million, an uplift of 23.71% against book value.

There were two freehold purchases made during the financial year. In August 2018, at Henrietta House Yard, Henrietta Place, London W1, and in December 2018, at 85-86 Newman Street, London W1. The former comprised a ground floor goods yard and basement of 26,559 sq ft, was acquired for £9.800 million plus costs (total acquisition cost of £10.438 million). This acquisition completed our freehold ownership of the Wigmore Street estate block, comprising a 2.2 acre site of over 330,000 sq ft NIA. This facilitated the proposed construction and pre-letting of a 45,000 sq ft office extension above the ground floor courtyard to CBRE, who will simultaneously 're-gear' and extend their existing lease to July 2036 encompassing an increased area of 145,000 sq ft. The purchase at 85-86 Newman Street, London W1, being a multi-tenanted office building totaling 14,707 sq ft. for £20.050 million plus costs (total acquisition cost of £21.130 million) extended our ownership of The Century Portfolio, Oxford Street block, further North along Newman Street. The acquisition reflected a capital value of 1,363 per square foot and a net initial yield of 4.07%.

Prior to the year end on 12th March 2019, we exchanged contracts on an unconditional basis and put down a 10% deposit (£6.100 million) to acquire the freehold interest in a multi-tenanted office building at 50 Pall Mall, London W1, arranged over lower ground to seven floors totaling 35,257 sq ft.. Subsequent to the year end, we completed the purchase on 10th April 2019 at a purchase price of £61.000 million plus costs (total acquisition cost was 64.400 million), producing a net initial yield of 4.17% and a capital value of £1,730 psf.

We exchanged contracts or completed on twenty two lettings during the year, totaling 260,618 sq ft and producing a rental income of £16,889,614 p.a. after the expiry of rent-free periods. At the year end 31st March 2019, we had a further 152,169 sq ft firmly under offer and in solicitors hands, which will produce a further additional rent of £10,375,102 p.a. following completion and expiry of rent frees.

DIRECTORS' STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

Our asset management initiatives have also achieved impressive results during the year, notably including the aforementioned restructure and extension with CBRE at Henrietta House, Henrietta Place, London W1, as well as completion of a pre-let of 37,241 sq ft of office accommodation to ASOS at Greater London House, Hampstead Road, London W1 and a re-gear of their existing occupation within the building, totaling 244,036 sq ft to June 2033. In addition, we exchanged contracts on a pre-commitment to re-gear 40,000 sq ft to NHS Property Services Ltd on a new 15 year lease with a break clause after 10 years at Ferguson House, 15 Marylebone Road, London NW1, subject to our completing a rolling refurbishment of the premises.

Expenditure incurred on projects during the year was over £35.050 million plus VAT through 25 separate schemes. This heralds a busy period of capital investment where it is anticipated that circa £170.500 million is committed during the next two financial years, principally comprising four major new build or remodeled office schemes. These will achieve net internal floor area gains of 127,334 sq ft NIA (on average 34.24%) from a current aggregated total of 371,847 sq ft to 499,181 sq ft, as well as fitting out five office buildings or individual floor units, aggregating to 114,312 sq ft. Of this total of 613,493 sq ft, coming through by 31st March 2021, 356,579 sq ft (58.12% in floor area terms) and £24,445,639 rent p.a. from an estimated rental value of £39,446,300 p.a. (circa 61.97% in rental value terms) has either been pre committed or was under offer at the year end 31st March 2019.

We try to create flexible office space, offering communal break out spaces and amenities to create a pleasing environment with wellbeing, productivity and a positive experience being at the centre of our thought process. Our designs embrace innovation and materials to provide the most practical, sustainable and aesthetic buildings, providing a positive impact on the environment and the local community, not just during construction, but for the long term. "A building is not just a place to be, but a way to be" – Frank Lloyd Wright.

Outlook:

With so many major political decisions unresolved, making any short-term prediction about the market is difficult, although we remain confident in the longer term about London's prospects and its status as a global city. The underlying market is witnessing a number of dynamic trends as occupiers are increasingly focused on the impact of their workspace in attracting and retaining their employees. This continues to support occupier demand.

We have the benefit of an outstanding portfolio of prime centrally located property assets, offering a strong pipeline of potential initiatives to enhance capital value and income returns. We are fortunate in having an experienced team to take this forward with a deep and diverse skill set in managing property investments and overseeing developments. We remain focused and committed to the continued success of the Group.

The statement was approved by the board on 23 May 2019 and signed on its behalf by:

Leonidas Lazari	**Nicholas Lazari**	***Andrie Lazari***
Director	Director	Director

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors present the Strategic Report for Lazari Investments Limited group (the "group") for the year ended 31 March 2019. The comparative is for the 7 month period from incorporation on 6 September 2017 to 31 March 2018.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The group had a successful year and the directors are of the opinion that the group will continue to be profitable in the future. A review of the results and future developments is included in the Directors' statement on pages 1 to 4.

OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

One off items during the year related to the profit on the disposal of investment properties of £8,852,767 (2018 - nil). Separately a profit of £700,000 (2018 - £146,695) was made on the granting of easements and a loss of £59 (2018 - profit of £20,000) on a motor vehicle disposal. Additionally there was a write off balances of £52,175 (2018 - £191,386) with related companies.

PRINCIPAL RISKS AND UNCERTAINTIES

a) Financial Risk

One of the main risks faced by the group is upwards movements in interest rates. With continuously high levels of occupancy in the portfolio underpinning rent cover and low borrowing costs, interest covenants are well covered. Some 88.53% (2018 - 88.80%) of total borrowings are fixed.

Another risk is any increase in loan to value ratios. At the year end the group had gearing of only 61.40% (2018 - 62.89%). Excluding the borrowing from Lazari Finance Limited group gearing would have been 39.63% (2018 - 40.63%). The group has ample margin for the loan to value ratios to increase in the event of a future reduction in property values without breaching its debt covenants. At the year end, the group had £92.263 million (2018 - £85.694 million) of cash reserves to cover such an occurrence as well as two unencumbered properties valued at £108.35 million (2018 - £3.56 million) by JLL as at 31st March 2019. While the group's current financial position is sound, the directors will continue monitoring the future debt requirements, portfolio values and debt covenants.

b) Tenant Default

All prospective tenants are closely scrutinised to assess their ability to meet their proposed rental commitments. Our usual yardstick is that the tenant company should provide audited accounts for the last three years demonstrating that net profits after tax exceed a multiple of three times the proposed annual rent and net assets should equate to a minimum of five times the rent. As appropriate, additional security is obtained by way of a rent deposit and/or parent company or bank guarantee. At the year end, the group held £11.824 million (2018 - £11.090 million) in rent deposits.

Individual lettings are also assessed on an overall portfolio basis to ensure that we have a diverse tenant base derived from both the public and private sectors across a wide range of users.

We maintain regular contact with our tenants to ensure that we work closely with any that are facing financial difficulties. In those cases where tenant default appears to be inevitable, we either adopt a flexible approach to assist the tenant to assign or sub-let or we take prompt action to forfeit the lease and re-let the premises, using our specialist market knowledge.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

c) Letting and Refurbishment Risk

The principal risk is a deterioration in market conditions.

Sentiment and job creation expectations in the Central London office market have weakened in the short term since the EU referendum, although overall demand has held up relatively well with availability in the West End hovering just under the 10 year average and at its lowest since the second quarter of 2016.

The group is experienced and cautious in committing capital expenditure and often this is de-risked by way of pre-letting. At the year end circa. 62% of the current development pipeline to 31 March 2021 is pre-committed or under offer. In addition the group has vast experience in refurbishments and lettings and delivers high quality schemes in strong locations which we are confident will continue to prove readily lettable.

The threat of increasing refurbishment costs is mitigated by an experienced internal development management team who work closely with the contractor and our professional team, attend all project meetings and take an active role in the competitive tendering process, appointment of contractors and account negotiations.

The group also ensures that its capital exposure is limited compared to the overall size of its balance sheet and investment portfolio.

d) Market Risk

In addition to focusing on the covenant strength of our tenants, the group has a policy of maximising the length of each tenancy in preference to securing as high an initial rent as possible. The group also adopts a proactive approach to dealing with tenants' break clauses by initiating lease restructuring negotiations, as appropriate.

The group also mitigates market risk by concentrating its activities in the West End which benefits from a diversified tenant base, global investment demand and a supply constrained market. These factors combine to limit the downside during adverse market conditions.

e) Shortage of Key Staff

Staff loyalty is encouraged by maintaining a very close relationship between the group and its staff by treating them as extended members of the family. The ownership of the business via a family structure with a succession plan now completed allows staff to take comfort in the knowledge that the group has a long-term future without the distraction of external shareholders.

CHARITABLE DONATIONS

During the year the group made charitable donations of £78,355 (2018 - £46,955). No donations were made by the company.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The average number of days taken by the company and group for payment of suppliers is 25 (2018 - 25). The group's policy is to pay its creditors within the suppliers payment terms.

EMPLOYEE INVOLVEMENT AND COMMUNICATION

We strive to involve our people with the matters which impact on them. We value two way communication to ensure that we have ongoing dialogue with colleagues.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

UNAUDITED INFORMATION
The table below presents the comparative proforma unaudited consolidated results of the property investment group for the 12 months to 31/03/2018 as if Lazari Investments Limited was incorporated and the results that would have been reported if the property investment group had been consolidated for the whole of the comparative year.

		2018/2019		2017/2018
		£		£
Gross rental income		117,437,651		109,095,503
Property outgoings net of recovery		(5,438,816)		(1,972,740)
Net rental from properties		111,998,835		107,122,763
Administrative expenses		(6,699,012)		(8,530,526)
Other Operating Income				
Easements		752,116		433,662
Profit on the sale of investment properties		8,852,767		
Fair value movement - Properties		30,570,282		106,950,243
Other Operating expenses				
Surrender fees paid		(22,500)		(774,824)
Operating profit		145,452,488		205,201,319
Income from fixed asset investments		16,416		84,452
Interest receivable and similar income		358,817		389,012
Interest payable and similar charges		(62,772,495)		(62,490,619)
Fair value movement - SWAPS		(2,353,426)		7,070,648
Profit on ordinary activities before taxation		80,701,800		150,254,812
Taxation on profit from ordinary activities	8,731,487		5,704,621	
(Overprovision)/underprovision in previous year	(10,378)		502,266	
Deferred tax charge	873,562		622,173	
Capital Gains tax charge	4,750,252		6,511,624	
Swaps deferred tax (credit) / debit	(400,083)		1,202,011	
		13,944,840		14,542,695
Profit on ordinary activities after taxation		66,756,960		135,712,117
Dividend Paid to shareholders		(2,482,482)		
Retained profit for the period		64,274,478		135,712,117
Retained historical cost profit for the financial year		64,274,478		135,712,117
Retained profit brought forward		120,795,632		
Capital Reduction and Capitalisation of Merger reserve		943,456,037		
Pre acquisition profits				(14,916,485)
Retained profit carried forward		1,128,526,147		120,795,632

FINANCIAL KEY PERFORMANCE INDICATORS

The key performance indicators used by the directors to monitor the performance:

- Group Gearing: This is currently only 61.40% (2018 - 62.89%) or 39.63% (2018 - 40.63%) excluding debt from Lazari Finance Limited.
- Interest and debt service cover: Interest cover is 277.24% (2018 - 287.72%) increasing to 293.86% (2018 - 300.34%) on expiry of rent free periods excluding the debt owed to Lazari Finance Limited. Including this, interest cover reduces to 184.75% (2018 - 189.38%) rising to 195.83% (2018 - 197.69%) on expiry of rent free periods.
- Occupancy Levels: At the year end this was 96.89% (2018 - 96.89%) by way of rental value within the investment portfolio available to let.
- Rental Income Growth: Contracted rent increased by 3.10% (2018 - 2.88%) for properties held over the full year.
- Income Profile: Our asset management initiative procures longer term income streams and strong covenants.
- Valuation Increases: Valuations are independently valued and compared against market indices. The underlying valuation increase for the year was 2.22% (2018 - 5.09%).

This report was approved by the board on 23 May 2019 and signed on its behalf by:

L Lazari	N Lazari	A Lazari
Director	**Director**	**Director**

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and the audited financial statements of Lazari Investments Limited (the "company") and Lazari Investments Limited Group (the "group") for the year ended 31 March 2019. The comparatives are for the period from incorporation on 6 September 2017 to 31 March 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

PRINCIPAL ACTIVITY

The group's principal activity is that of an investment company. The group owns an outstanding portfolio of property assets which it rents to commercial tenants. It also has a number of ancillary residential units.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £66,756,960 *(2018 - £120,795,632)*. A dividend of £2,482,483 (2018 - nil) was paid during the year (£2.48 per share).

During the year the merger reserve was capitalised by way of a bonus issue of shares. As bonus shares expressly fall outside the ambit of the meaning "distribution" within section 829 of the Act, the restrictions imposed by section 849 of the Act do not apply and therefore capitalisation of unrealised profit is permissible. Secondly, the bonus shares were subsequently reduced and treated as realised profit. This transaction was supported by a solvency statement and as such is permissible under the Act. This resulted in a transfer of £943,456,038 from the merger reserve to retained earnings.

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, and their interests in the group's issued share capital were:

	Ordinary shares of 1p each	
	31/3/19	*1/4/18*
L Lazari	**220,219**	*220,219*
N Lazari	**220,219**	*220,219*
A Lazari	**220,219**	*220,219*

The Lazari Childrens' Trust owns 340,344 Ordinary shares on behalf of A Lazari, L Lazari and N Lazari.

GOING CONCERN

Due to the net current liabilities position of the parent company, Lazari Investments Management Limited has confirmed that it will continue to provide financial support to the company to assist it in meeting its normal trading liabilities as and when they fall due, but only to the extent that funding is not otherwise available for a period of at least one year from the date of signature of the financial statements of the company for the year ended 31 March 2019.

FUTURE DEVELOPMENTS

Details of future developments are provided in the Directors' Statement.

POST BALANCE SHEET EVENTS

A property was acquired at 50 Pall Mall, London, SW1 on 10 April 2019 for a consideration of £61.1 million.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 May 2019 and signed on its behalf by:

L Lazari	N Lazari	A Lazari
Director	**Director**	**Director**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAZARI INVESTMENTS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Lazari Investments Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 March 2019; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAZARI INVESTMENTS LIMITED (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and the company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAZARI INVESTMENTS LIMITED (CONTINUED)

Responsibilities for the financial statements and the audit (continued)

Auditors' 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 auditors' 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. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
Date: 23 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Note	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Turnover	4	**117,437,651**	*56,974,239*
Cost of sales		**(5,438,816)**	*(2,019,125)*
GROSS PROFIT		**111,998,835**	*54,955,114*
Administrative expenses		**(6,699,012)**	*(2,635,757)*
Other operating income	6	**9,604,883**	*358,081*
Fair value movements - investment properties and listed investments	7	**30,570,282**	*106,950,241*
Other operating expenses	8	**(22,500)**	*(774,824)*
OPERATING PROFIT	9	**145,452,488**	*158,852,855*
Income from investments	12	**16,416**	*8,664*
Interest receivable and similar income	13	**358,817**	*209,326*
Interest payable and similar expenses	14	**(62,772,495)**	*(31,352,914)*
Fair value movement - SWAPS		**(2,353,426)**	*7,070,650*
PROFIT BEFORE TAXATION		**80,701,800**	*134,788,581*
Tax on profit	15	**(13,944,840)**	*(13,992,949)*
PROFIT FOR THE FINANCIAL YEAR/ PERIOD		**66,756,960**	*120,795,632*

There was no other comprehensive income for 2019 (2018:£NIL).

All amounts relate to continuing operations.

The notes on pages 26 to 52 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2019

	Note		2019 £		2018 £
FIXED ASSETS					
Tangible fixed assets	18		**854,129**		*960,889*
Investments	19		**1,057,308**		*946,920*
Investment property	20		**2,970,230,000**		*2,912,828,401*
			2,972,141,437		*2,914,736,210*
CURRENT ASSETS					
Debtors: amounts falling due within one year	21	**36,157,798**		*31,915,746*	
Cash at bank and in hand	22	**92,262,568**		*85,694,155*	
		128,420,366		*117,609,901*	
Creditors: amounts falling due within one year	23	**(67,986,170)**		*(69,970,034)*	
NET CURRENT ASSETS			**60,434,196**		*47,639,867*
TOTAL ASSETS LESS CURRENT LIABILITIES			**3,032,575,633**		*2,962,376,077*
Creditors: amounts falling due after more than one year	24		**(1,889,442,623)**		*(1,888,741,275)*
			1,143,133,010		*1,073,634,802*
PROVISIONS FOR LIABILITIES					
Deferred tax on capital allowances and swaps	27	**(1,160,020)**		*(686,541)*	
Deferred tax on capital gains on properties	27	**(13,436,833)**		*(8,686,581)*	
			(14,596,853)		*(9,373,122)*
NET ASSETS			**1,128,536,157**		*1,064,261,680*

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2019

	Note	2019 £	*2018* *£*
CAPITAL AND RESERVES			
Called up share capital	28	**10,010**	*10,010*
Merger reserve	29	**-**	*943,456,038*
Retained earnings	29	**1,128,526,147**	*120,795,632*
TOTAL EQUITY		**1,128,536,157**	*1,064,261,680*

The financial statements on pages 15 to 52 were approved by the Board of Directors on 23 May 2019 and signed on its behalf by:

L Lazari
Director

N Lazari
Director

A Lazari
Director

The notes on pages 26 to 52 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2019

	Note		2019 £		*2018 £*
FIXED ASSETS					
Investments	19		**980,322,893**		*943,456,038*
			980,322,893		*943,456,038*
CURRENT ASSETS					
Cash at bank and in hand	22	**3,214**		*10,000*	
		3,214		*10,000*	
Creditors: amounts falling due within one year	23	**(14,940)**		*(14,292)*	
NET CURRENT LIABILITIES			**(11,726)**		*(4,292)*
TOTAL ASSETS LESS CURRENT LIABILITIES			**980,311,167**		*943,451,746*
NET ASSETS			**980,311,167**		*943,451,746*

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2019

	Note		31 March 2019 £		31 March 2018 £
CAPITAL AND RESERVES					
Called up share capital	28		**10,010**		*10,010*
Merger reserve	29		**-**		*943,456,038*
Retained deficit brought forward		**(14,302)**		-	
Profit/(loss) for the year / period		**39,341,904**		*(14,302)*	
Other changes in the profit and loss account		**940,973,555**		-	
Profit and loss account carried forward			**980,301,157**		*(14,302)*
TOTAL EQUITY			**980,311,167**		*943,451,746*

The financial statements on pages 15 to 52 were approved by the Board of Directors on 23 May 2019 and signed on its behalf by:

L Lazari
Director

N Lazari
Director

A Lazari
Director

The notes on pages 26 to 52 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital	Merger reserve	Retained earnings	Total equity
	£	£	£	£
At 1 April 2018	10,010	943,456,038	120,795,632	1,064,261,680
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the financial year	-	-	66,756,960	66,756,960
Transfer of merger reserve to retained earnings (see note 29)	-	(943,456,038)	943,456,038	-
Dividends: Equity capital	-	-	(2,482,483)	(2,482,483)
AT 31 MARCH 2019	10,010	-	1,128,526,147	1,128,536,157

The notes on pages 26 to 52 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018

	Called up share capital	Merger reserve	Retained earnings	Total equity
	£	£	£	£
At 6 September 2017	-	-	-	-
COMPREHENSIVE INCOME FOR THE PERIOD				
Profit for the financial period	-	-	120,795,632	120,795,632
Arising from acquisition of subsidiaries	-	943,456,038	-	943,456,038
Shares issued during the period	10,010	-	-	10,010
AT 31 MARCH 2018	10,010	943,456,038	120,795,632	1,064,261,680

The notes on pages 26 to 52 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital	Merger reserve	Retained (deficit) / earnings	Total equity
	£	£	£	£
At 1 April 2018	**10,010**	**943,456,038**	**(14,302)**	**943,451,746**
COMPREHENSIVE EXPENSE FOR THE YEAR				
Profit for the financial year	-	-	**39,341,904**	**39,341,904**
Transfer of merger reserve to retained earnings (see note 29)	-	**(943,456,038)**	**943,456,038**	-
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS				
Dividends: Equity capital	-	-	**(2,482,483)**	**(2,482,483)**
AT 31 MARCH 2019	**10,010**	-	**980,301,157**	**980,311,167**

The notes on pages 26 to 52 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018

	Called up share capital	Merger reserve	Retained deficit	Total equity
	£	£	£	£
At 6 September 2017	-	-	-	-
COMPREHENSIVE EXPENSE FOR THE PERIOD				
Loss for the financial period	-	-	(14,302)	(14,302)
Arising from acquisition of subsidiary companies	-	943,456,038	-	943,456,038
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS				
Shares issued during the period	10,010	-	-	10,010
AT 31 MARCH 2018	10,010	943,456,038	(14,302)	943,451,746

The notes on pages 26 to 52 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year/period	**66,756,960**	*120,795,632*
ADJUSTMENTS FOR:		
Depreciation of tangible assets	**164,648**	*126,638*
Profit from sale of investment properties	**(8,852,767)**	-
Interest payable	**62,772,495**	*31,352,914*
Interest receivable and income from investments	**(375,233)**	*(217,990)*
Taxation charge	**13,944,803**	*13,992,949*
(Increase)/decrease in debtors	**(4,242,052)**	*1,375,846*
(Decrease)/increase in creditors	**(97,398)**	*13,112,266*
Net fair value (gains) recognised in P&L	**(28,872,908)**	*(114,020,893)*
Corporation tax (paid)	**(8,671,336)**	*(3,348,644)*
NET CASH GENERATED FROM OPERATING ACTIVITIES	**92,527,212**	*63,168,718*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	**(58,998)**	*(624,874)*
Purchase of investment properties	**(64,691,705)**	*(139,613,211)*
Sale of investment properties	**46,700,000**	-
Sale of listed investments	-	*153,670*
Cash of subsidiaries acquired in group reconstruction	-	*117,710,984*
Interest received	**358,817**	*209,326*
Income from investments	**16,416**	*8,664*
NET CASH USED IN INVESTING ACTIVITIES	**(17,675,470)**	*(22,155,441)*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	*2018* *£*
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of ordinary shares	-	*10,010*
New loans	**20,900,000**	*90,000,000*
Repayment of loans	**(24,472,013)**	*(12,157,702)*
Dividends paid	**(2,482,483)**	-
Interest paid	**(60,255,181)**	*(31,984,453)*
Arrangement fees paid	**(1,973,652)**	*(1,186,977)*
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES	**(68,283,329)**	*44,680,878*
INCREASE IN CASH AND CASH EQUIVALENTS	**6,568,413**	*85,694,155*
Cash and cash equivalents at beginning of year/period	**85,694,155**	-
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	**92,262,568**	*85,694,155*
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD COMPRISE:		
Cash at bank and in hand	**92,262,568**	*85,694,155*
	92,262,568	*85,694,155*

The notes on pages 26 to 52 form part of these financial statements.

1. GENERAL INFORMATION

Lazari Investments Limited ('the "company") and its subsidiary undertakings (collectively the "group") is engaged in property investment, development and trading.

The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is: Accurist House, 44 Baker Street, London, W1U 7BR.

The group and company's functional and presentational currency is pound sterling.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention, except for the revaluation of investment properties, listed shares and derivative financial instruments, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

Due to the net current liabilities position of the company, Lazari Investments Management Limited, has confirmed that it will continue to provide financial support to the company to assist it in meeting its normal trading liabilities as and when they fall due, but only to the extent that funding is not otherwise available for a period of at least one year from the date of signature of the financial statements of the company for the year ended 31 March 2019.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the group as a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Parties Disclosures from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

This information for the company is included in the group disclosures in these consolidated financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax and other sales taxes.

Gross rental income comprises all income arising from letting commercial and residential property, and recoverable expenses, excluding value added tax, and is recognised on an accruals basis.

Rental income is recognised over the term of the lease and on a straight line basis.

Surrender fees are recognised at the point the tenant exits the lease.

Service charge income and management fees are recognised on an accruals basis as the service is provided to the tenants.

2.5 Recognition of income relating to rent free periods

Rental income relating to rent free periods given on new leases is allocated evenly over the period from the date of the lease commencement to the lease expiry date.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

2. ACCOUNTING POLICIES (CONTINUED)

2.6 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Short-term leasehold improvements	-	10	years straight line
Motor vehicles	-	25%	reducing balance
Fixtures and fittings	-	*15%*	*reducing balance*
Computer equipment	-	25%	reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Consolidated Statement of Comprehensive Income.

2.7 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Statement of Comprehensive Income.

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. ACCOUNTING POLICIES (CONTINUED)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.11 Financial instruments

The group enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other debtors and creditors, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out- right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the Balance Sheet date.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in finance costs or income as appropriate. The group does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. ACCOUNTING POLICIES (CONTINUED)

2.13 Interest payable and similar expenses

Interest payable and similar expenses are charged to the Consolidated Statement of Comprehensive Income over the term of the loan so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.15 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payments obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the group in independently administered funds.

2.16 Interest receivable and similar income

Interest receivable and similar income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.17 Borrowing costs

All borrowing costs are capitalised and amortised in the Consolidated Statement of Comprehensive Income over the life of the loan.

2. ACCOUNTING POLICIES (CONTINUED)

2.18 Financial risk management

The objective of the group's financial risk management is to manage and control the risk exposures of its operations and borrowings. The Board of Directors has overall responsibility for overseeing the management of financial risks, with a significant volume of the review work performed by a dedicated treasury function, which has documented procedures designed to identify, monitor and manage the financial risks to which the group is exposed. This note presents information about the group's exposure to financial risks, its objectives, policies and processes for managing risk and the group's management of its financial resources.

Capital structure
The capital structure of the group consists of shareholders' equity and net borrowings, including cash held on deposit. Capital is managed so as to optimise the long-term success of the company and group and returns to shareholders. In order to maintain or adjust the capital structure, the company may issue new shares or raise medium/long term third party debt. Any changes will be considered in the light of the impact they have on shareholder's return on their equity. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

The company's strategy is to maintain an appropriate net debt to total equity ratio and loan-to-value ratio to ensure that asset level performance is translated into enhanced returns for shareholders whilst maintaining an appropriate risk-reward balance.

Interest rate risk
The group operates an interest rate policy designed to optimise interest rate cost and reduce volatility in reported earnings. Where the group holds floating rate debt the primary risk is that the group's cash flows will be subject to variation depending upon changes to base interest rates. The group's policy is to require interest rates to be fixed for 100% of long term debt. This is achieved through the use of interest rate swap. The revaluation of interest rate swaps is recognised in the Consolidated Statement of Comprehensive Income and Balance Sheet. Long term borrowings are recognised in the Balance Sheet at amortised cost. Had the group adopted hedge accounting policies, the impact of the revaluation of swaps would have been offset by an equivalent reduction in the carrying value of the hedged liabilities.

The group does not use hedge accounting.

Inflation risk
The group's contracts are generally structured so that contractual income and costs are either wholly or partially linked to specific inflation, where possible, to minimise the risks of a mismatch between income and costs due to movements in inflation indexes. The group's overall cash flows are estimated to vary partially with inflation. The effects of these inflation changes do not always flow immediately through to the group's cash flows.

2. ACCOUNTING POLICIES (CONTINUED)

2.18 Financial risk management (continued)

Credit risk
Credit risk is the risk that a counterparty of the group will be unable or unwilling to meet a commitment that it has entered into with the group. Debtors are presented in the balance sheet net of allowances for doubtful debts. The group seeks to only trade with creditworthy third parties and monitors the levels of debt on a regular basis. The credit risk of debtors is considered to be low.

The credit risk on liquid funds is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk
Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group prepares and monitors cash flow forecasts on a weekly basis to ensure sufficient cash is available.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2. ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a change attributable to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing differences arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.21 Share capital

Ordinary shares and deferred shares are classified as equity.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting estimates and assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Investment valuations

Properties are valued externally by a qualified chartered surveyor. Valuations are made as at the reporting date and conform to RICS Standards. Valuations are made using various assumptions and estimations which include, but are not limited to market yields, transaction prices of similar properties, tenure and tenancy details. These assumptions are approved by an independent chartered surveyor.

Trade debtors

The group reviews trade debtors and makes judgements on the recoverability of these debtors with reference to the age of outstanding amounts, credit status of the counterparty and the status of any outstanding dispute.

Derivative financial instruments

The group holds derivative financial instruments to hedge its interest rate risk exposures. All derivatives are recognised initially at fair value. Thereafter, derivatives are measured at fair value with changes recognised in the Consolidated Statement of Comprehensive Income as part of "fair value movements". Fair value is based on price quotations from financial institutions active in the relevant market

4. TURNOVER

An analysis of turnover by class of business is as follows:

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Rental income and surrender fees received	**115,548,584**	*56,418,855*
Service charges and management fees received	**1,889,067**	*555,384*
	117,437,651	*56,974,239*

All turnover arose within the United Kingdom.

5. AUDITORS' REMUNERATION

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Fees payable to the company's auditor and its associates for the audit of the parent company and the group's consolidated financial statements	**51,000**	*53,000*
	-	-
Fees payable to the company's auditor and its associates for other services:	-	-
- Audit of the company's subsidiaries	**27,000**	*14,000*
- Services for group reconstruction	-	*303,500*
- Legal and tax advisory services	**97,845**	-
- Other non-audit services	**42,000**	*40,600*
	217,845	*411,100*

6. OTHER OPERATING INCOME

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
(Loss) / profit on motor vehicle disposal	**(59)**	*20,000*
Profit on granting of easements	**700,000**	*146,695*
Credit from balances with related companies being written off	**52,175**	*191,386*
Profit from sale of investment properties	**8,852,767**	-
	9,604,883	*358,081*

7. FAIR VALUE MOVEMENTS

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Investment properties	**30,459,894**	*106,977,749*
Listed investments	**110,388**	*(27,508)*
	30,570,282	*106,950,241*

8. OTHER OPERATING EXPENSES

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Surrender fees paid	**22,500**	*774,824*
	22,500	*774,824*

9. OPERATING PROFIT

The operating profit is stated after charging:

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Depreciation of tangible fixed assets	**164,648**	*126,638*
Impairment of trade receivables	**32,288**	*16,048*
Operating lease rentals	**66,238**	*33,141*

10. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Wages and salaries	**6,443,923**	*2,435,186*
Social security costs	**799,339**	*306,377*
Cost of defined benefit contribution scheme	**21,998**	*6,880*
	7,265,260	*2,748,443*

During the year, costs of £1,508,248 (2018 - £818,396) relating to caretakers and cleaners were recovered in accordance with the tenancy agreements.

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 March 2019 No.	*Period ended 31 March 2018 No.*
Administration	**20**	*19*
Caretakers and cleaners	**52**	*51*
	72	*70*

11. DIRECTORS' REMUNERATION

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Directors emoluments	**3,898,617**	*939,391*
Contributions to defined contribution pension scheme	-	-
	3,898,617	*939,391*

During the year retirement benefits were accruing to nil (2018 - nil) directors in respect of defined contribution pension schemes.

The highest paid director received remuneration of £2,653,032 (2018 - £292,126).

The value of the contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to nil (2018 - nil).

12. INCOME FROM INVESTMENTS

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Income from fixed asset investments	**16,416**	*8,664*

13. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Bank interest receivable	**358,817**	*209,326*

14. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Bank interest payable	18,199,458	*8,900,313*
Other financial institution interest payable	22,151,322	*11,449,542*
Related party interest	20,444,512	*9,978,262*
Finance costs amortised	1,973,652	*858,789*
Other interest payable	3,551	*166,008*
	62,772,495	*31,352,914*

15. TAX ON PROFIT

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
CORPORATION TAX		
Current tax on profits for the year/period	8,731,487	*3,482,184*
Adjustments in respect of prior period	(10,378)	-
TOTAL CURRENT TAX	8,721,109	*3,482,184*
DEFERRED TAX		
Origination and reversal of timing differences	873,562	*622,173*
SWAPs tax provision	(400,083)	*1,202,011*
Capital gains tax provision	4,750,252	*8,686,581*
TOTAL DEFERRED TAX	5,223,731	*10,510,765*
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	13,944,840	*13,992,949*

15. TAX ON PROFIT (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR/PERIOD

The tax assessed for the year/period is lower than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19% *(2018 - 19%)*. The differences are explained below:

	Year ended 31 March 2019 £	*Period ended 31 March 2018 £*
Profit on ordinary activities before tax	**80,701,800**	*134,788,581*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**15,333,342**	*25,609,830*
EFFECTS OF:		
Expenses not deductible for tax purposes	**3,958,778**	*58,970*
Adjustments in respect of prior period	**(10,378)**	-
Non-taxable income	-	*(49,725)*
Fixed asset differences	**(1,700,398)**	*(20,602)*
Indexation allowance	**(9,017,594)**	*(11,649,710)*
Additional deduction for land remediation expenditure	**(14,950)**	*(6,770)*
Adjustments relating to acquisition of subsidiaries	-	*(220,595)*
Capital gains tax on property disposal	**6,494,559**	-
Transfer pricing adjustments	**96,462**	*5,232*
Deferred tax not recognised	**(108,541)**	*266,319*
Other timing differences	**(459,113)**	-
Effect of changes in tax rates	**(627,327)**	-
TOTAL TAX CHARGE FOR THE YEAR/PERIOD	**13,944,840**	*13,992,949*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

16. DIVIDENDS

	2019	*2018*
	£	*£*
Dividends paid	**2,482,483**	-
	2,482,483	-

During the year a dividend of £2.48 (2018 - nil) per share was paid to the holders of the1,001,001 Ordinary shares.

17. PARENT COMPANY PROFIT/(LOSS) FOR THE YEAR/PERIOD

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the year was £39,341,904 *(2018 - loss £14,302)*.

18. TANGIBLE FIXED ASSETS

Group

	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
COST					
At 1 April 2018	620,960	416,245	39,139	11,183	1,087,527
Additions	58,998	-	-	-	58,998
Disposals	-	(26,249)	-	-	(26,249)
At 31 March 2019	679,958	389,996	39,139	11,183	1,120,276
DEPRECIATION					
At 1 April 2018	62,096	59,569	3,375	1,598	126,638
Charge for the year	67,997	88,890	5,364	2,397	164,648
Disposals	-	(25,139)	-	-	(25,139)
At 31 March 2019	130,093	123,320	8,739	3,995	266,147
NET BOOK VALUE					
At 31 March 2019	549,865	266,676	30,400	7,188	854,129
At 31 March 2018	*558,864*	*356,676*	*35,764*	*9,585*	*960,889*

No tangible fixed assets were owned by the parent company.

19. INVESTMENTS

Group

	Listed investments £
VALUATION	
At 1 April 2018	**946,920**
Additions	**110,388**
At 31 March 2019	**1,057,308**
NET BOOK VALUE	
At 31 March 2019	**1,057,308**
At 31 March 2018	*946,920*

Company

	Investments in subsidiary companies £
COST	
At 1 April 2018	**943,456,038**
Additions	**179,566,851**
Impairment of investment in subsidiary companies	**(142,699,996)**
At 31 March 2019	**980,322,893**
NET BOOK VALUE	
At 31 March 2019	**980,322,893**
At 31 March 2018	*943,456,038*

SUBSIDIARY UNDERTAKINGS

The following companies, which all had the same registered office as the company (See Note 1), were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Merbrook Bond Property Unit Trust	Ordinary	100 %	Property investment
Lazari Properties 1 Limited	Ordinary	100 %	Property investment
Lazari Properties 2 Limited	Ordinary	100 %	Property investment
Lazari Properties 2A Limited	Ordinary	100 %	Property investment
Lazari Properties 3 Limited	Ordinary	100 %	Property investment
Lazari Properties 4 Limited	Ordinary	100 %	Property investment
Lazari Properties 5 Limited	Ordinary	100 %	Property investment
Lazari Properties 6 Limited	Ordinary	100 %	Property investment
Lazari Properties 7 Limited	Ordinary	100 %	Property investment
Lazari Investments Management Limited	Ordinary	100 %	Management services

The directors believe that the book value of investments in subsidiaries is supported by their underlying net assets.

The registered office of the above is Accurist House, 44 Baker Street, London, W1U 7BR.

20. INVESTMENT PROPERTY

Group

	Freehold investment property £	Long term leasehold investment property £	Short term leasehold investment property £	Total £
VALUATION				
At 1 April 2018	**2,669,086,101**	**193,792,300**	**49,950,000**	**2,912,828,401**
Additions at cost	**56,841,829**	**7,566,270**	**283,606**	**64,691,705**
Disposals	**-**	**(3,500,000)**	**(34,250,000)**	**(37,750,000)**
Surplus/ (reduction) on revaluation	**34,302,070**	**(408,570)**	**(3,433,606)**	**30,459,894**
Transfers from long term to short term leasehold	**-**	**(77,600,000)**	**77,600,000**	**-**
AT 31 MARCH 2019	**2,760,230,000**	**119,850,000**	**90,150,000**	**2,970,230,000**

The 2019 valuations were made on 31 March 2019 by Jones Lang LaSalle Chartered Surveyor, on an open market value for existing use basis.

The fair value of the properties is assessed on the basis of Market Value as defined by RICS Valuation - Professional Standards, January 2014 (revised April 2015).

During the year, the group purchased 2 properties for £31,519,154 and disposed of 2 properties for £46,700,000.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £	*2018 £*
Historic cost	**2,833,717,357**	*2,805,850,652*
	2,833,717,357	*2,805,850,652*

20. INVESTMENT PROPERTY (CONTINUED)

Company

	Freehold investment property £
Additions at cost	105,000,000
Transfers to a subsidiary	(105,000,000)
AT 31 MARCH 2019	-

During the year a property acquired by the holding company was subsequently transferred to a subsidiary.

21. DEBTORS

	Group 2019 £	*Group 2018 £*	Company 2019 £	*Company 2018 £*
Trade debtors	6,915,760	*13,879,755*	-	-
Other debtors (see note 32)	6,721,653	*709,524*	-	-
Rent free accrued income	22,520,385	*17,263,469*	-	-
Prepayments and accrued income	-	*62,998*	-	-
	36,157,798	*31,915,746*	-	-

Rent free accrued income includes a balance of £19,771,192 (2018 - £14,376,982) which is receivable in greater than one year.

Trade debtors are stated after provision for impairment of £36,130 (2018 - £16,048).

22. CASH AT BANK AND ON HAND

	Group 2019 £	*Group 2018 £*	Company 2019 £	*Company 2018 £*
Cash at bank and in hand	92,262,568	*85,694,155*	3,214	*10,000*

23. CREDITORS: Amounts falling due within one year

	Group 2019 £	*Group 2018 £*	Company 2019 £	*Company 2018 £*
Bank loans and overdrafts	**24,191,420**	*24,547,013*	-	-
Trade creditors	**12,180**	*14,600*	-	-
Rents received in advance	**28,387,268**	*30,349,578*	-	-
Corporation tax	**3,494,067**	*1,346,885*	-	-
Other taxation and social security	**1,998,537**	*3,444,332*	-	-
Other creditors	**131,269**	*277,920*	-	-
Accruals and deferred income	**9,771,429**	*9,989,706*	**14,940**	*14,292*
	67,986,170	*69,970,034*	**14,940**	*14,292*

24. CREDITORS: Amounts falling due after more than one year

	Group 2019 £	*Group 2018 £*	Company 2019 £	*Company 2018 £*
Bank and other financial institution secured loans (See Note 25)	**1,200,523,393**	*1,203,240,953*	-	-
Other loans (See Note 25 and 32)	**672,292,732**	*672,610,083*	-	-
Other creditors	**13,111,426**	*11,728,593*	-	-
Financial instruments (after 1 yr) (See Note 25)	**3,515,072**	*1,161,646*	-	-
	1,889,442,623	*1,888,741,275*	-	-

Bank and other financial institution secured loans of £1,200,523,393 (2018 - £1,203,240,528) are secured on the group's investment properties and deeds of assignment of rental income.

Bank and other loans are shown after allowance of borrowing costs of 6,616,556 (2018 - £6,756,479).

Included in other creditors are tenants deposits of £11.824 million (2018 - £11.090 million) and a sinking fund of £1.287 million (2018 - £0.639 million).

25. LOANS

Bank and other financial institution secured loans

The group's secured loans are made up of 20 (2018 - 19) separate loan agreements, split into 27 (2018 - 25) tranches. The terms of these loans include capital amounts repayable by quarterly installments and capital amounts repayable at the end of the loan term. The loan terms vary between 1 and 12 years. Interest is charged on 19 (2018 - 18) tranches at fixed rates between 2.38% and 6.09% and on 8 (2018 - 7) tranches at variable rates between 1.55% and 1.95% above LIBOR.

The total amount of borrowings repayable that become due after 5 years is £619,719,051 (2018 - £596,803,182).

£584,713,633 (2018 - £610,804,333) is repayable between 1 to 5 years.

The numbers above exclude arrangement fees of £3,909,288 (2018 - £4,366,562).

As at the balance sheet date 31 March 2019, the group had entered into the following interest rate swap agreements which commenced during the year:

- 5 year interest rate swap agreements fixing at the rate of 1.23% on a notional principal amount of £211.250 million, reducing with capital amortisation. The SWAP became effective from 22 December 2018. As at 31 March 2019 the outstanding amount of interest rate swap was £209.250 million.

- A 5 year interest rate swap agreement fixing at a rate of 1.295% on a notional principal amount of £104.750 million, reducing with capital amortisation. The SWAP became effective from 24 March 2019. As at 31 March 2019 the outstanding amount of interest rate swap was £104.325 million.

As at the comparative balance sheet date of 31 March 2018, the group had entered into the following interest rate swap agreements:

- A 5 year interest rate swap agreement fixing at the rate of 1.23% on a notional principal amount of £218.250 million, reducing with capital amortisation. The SWAP became effective from 29 December 2016. As at 31 March 2018 the outstanding amount of interest rate swap was £213.750 million.

- A 5 year interest rate swap agreement fixing at a rate of 1.47% on a notional principal amount of £112.975 million, reducing with capital amortisation. The SWAP became effective from 20 November 2014. As at 31 March 2018 the outstanding amount of interest rate swap was £106.950 million.

As at 31 March 2019 the total outstanding amount of interest rate swaps was £313.575 million (2018 - £320.700 million).

Other loans

Unsecured loans bearing interest of between 2.60% and 3.15% of £675,000,000 (2018 - £675,000,000) less arrangement fees of £2,707,268 (2018 - £2,389,917) comprise other loans and are guaranteed across the group by Lazari Investments Limited. All are repayable within 5 years.

At 31 March 2019 there was an undrawn loan facility of nil (2018 - £9.9 million) to help fund the capital commitments (See Note 30).

26. FINANCIAL INSTRUMENTS

	Group 2019 £	*Group 2018 £*
FINANCIAL ASSETS		
Financial assets that are debt instruments measured at amortised cost	13,637,413	*14,589,279*
	13,637,413	*14,589,279*
FINANCIAL LIABILITIES		
Financial liabilities measured at fair value through profit and loss	(3,515,072)	*(1,161,646)*
Financial liabilities measured at amortised cost	(1,910,262,420)	*(1,912,419,162)*
	(1,913,777,492)	*(1,913,580,808)*

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors and other creditors.

Derivative financial instruments, which are measured at fair value through profit or loss, consist of interest rate swaps which are discussed in note 25.

27. DEFERRED TAX

	Swaps £	Capital Allowances £	Capital gains on properties £	Total £
At 1 April 2018	(197,479)	884,020	8,686,581	9,373,122
(Credited) / charged to Statement of Comprehensive Income	(400,083)	873,562	4,750,252	5,223,731
At 31 March 2019	(597,562)	1,757,582	13,436,833	14,596,853

There are no unused tax losses or unused tax credits.

The net deferred tax liability expected to reverse in 2020 is £774,470 (2018 - £637,691). This primarily relates to the reversal of timing differences on acquired investment properties through revaluation.

28. SHARE CAPITAL

Group and company

	2019 £	*2018* *£*
Shares classified as equity		
Allotted, called up and fully paid		
1,001,001 *(2018 - 1,001,001)* Ordinary shares of £0.01 each	**10,010**	*10,010*

On the 10th May 2018, the share capital of the company was increased by 50 shares to 1,001,051 shares. This was reduced by 50 shares to 1,001,001 on 22nd May 2018.

29. RESERVES

Merger Reserve

The merger reserve resulted from the restructuring of the Lazari group of companies.

During the year the merger reserve was capitalised by way of a bonus issue of shares. As bonus shares expressly fall outside the ambit of the meaning "distribution" within section 829 of the Act, the restrictions imposed by section 849 of the Act do not apply and therefore capitalisation of unrealised profit is permissible. Secondly, the bonus shares were subsequently reduced and treated as realised profit. This transaction was supported by a solvency statement and as such is permissible under the Act.

Retained earnings

The retained earnings represents the accumulated profits, losses and distributions of the company / group.

30. CAPITAL COMMITMENTS

At 31 March 2019 the group had the following capital commitments as follows:

	Group 2019 £	*Group* *2018* *£*
Contracted for but not provided in these financial statements	**223,300,000**	*77,718,045*
	223,300,000	*77,718,045*

Including £54,900,000 for the acquisition of 50 Pall Mall, London, SW1 on 10 April 2019.

The company had nil capital commitments.

At 31 March 2019 there was an undrawn loan facility of nil (2018 - £9.9 million) to fund the capital commitments.

31. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2019 the group had future minimum lease payments under non-cancellable operating leases as follows (the company had none):

	Group 2019 £	*Group 2018 £*
Lessee		
Not later than 1 year	**70,632**	*66,283*
Later than 1 year and not later than 5 years	**282,528**	*265,132*
Later than 5 years	**4,570,432**	*4,327,731*
	4,923,592	*4,659,146*

At 31 March 2019 the group had contractual rent receivables under operating leases as follows (the company had none):

	Group 2019 £	*Group 2018 £*
Lessor		
Not later than 1 year	**116,929,474**	*114,789,593*
Later than 1 year and not later than 5 years	**400,650,041**	*336,018,138*
Later than 5 years	**641,238,313**	*402,034,652*
	1,158,817,828	*852,842,383*

32. RELATED PARTY TRANSACTIONS

Group

During the period Lazari Finance Limited, a related company by virtue of family member ties between the respective shareholders, charged £20,444,512 (2018 - £9,978,262) in loan interest during the year and at the year end was owed £672,292,732 (2018 - £672,610,083), a balance included in other loans in creditors greater than one year.

Included in other debtors are balances of nil (2018 - £22,673) and nil (2018 - £552,937) owed by Lazari Finance Limited and Lazari Developments Limited, respectively, related companies via virtue of family member ties between the respective shareholders.

During the year £26,000 of rent was received from Savoy Assets Limited, a related company by virtue of directors and shareholders in common.

A £20,000 donation was paid to Baker Street Quarter Partnerships Limited, Mr Nicholas Lazari is a director of this company.

Transactions with key management personnel - See note 11 for disclosure of the directors' remuneration and key management compensation.

Other than the transactions disclosed above and in note 11, the company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

33. POST BALANCE SHEET EVENTS

A property was acquired at 50 Pall Mall, London, SW1 on 10 April 2019 for a consideration of £61.1 million.

34. CONTROLLING PARTY

The 3 directors are the ultimate controlling parties.