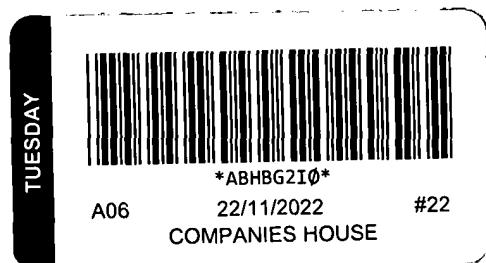




*Annual Report & Accounts*  
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*Annual Report & Accounts*

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## CHAIRMAN'S INTRODUCTION

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It gives me pleasure to report on a year of steady progress despite the difficult operating conditions created by the Covid-19 pandemic.

The net profit before tax for the year was £159.7 million (2021 - £72.0 million). Shareholders' funds increased by 2.9% to £1,955.6 million (2021 - 0.3% increase to £1,901.2 million).

In the UK overall rental income has remained flat with new lettings and upward rent reviews offset by the loss of a number of office tenants. In the USA we have seen overall rental growth of 13%, principally derived from our Florida properties and especially due to the inclusion for the first time of a full year's income from our new Casselberry property. Our overall gross rental income was ahead of its pre Covid-19 level.

In the UK the overall value of our portfolio has increased by 4%. Increases in residential and office property values were partially offset by reductions in the value of retail buildings. In the USA all properties outside New York saw valuation increases, particularly in Florida; values in New York fell slightly. The overall net valuation gain was £101.1 million (2021 - £33.8 million).

In the uncertain conditions created by the Covid-19 pandemic we have not made any significant new acquisitions or commenced any major new developments or projects. However we have identified a number of office properties in our portfolio which, with significant refurbishment, offer the opportunity of materially improved rental income. This work is currently at an advanced planning stage and in the meantime we conserve our financial resources.

### Outlook

In both the UK and the USA, consumer price inflation is currently at levels not experienced for several decades. The monetary authorities are raising interest rates with a view to dampening demand and bearing down on rising prices. Both economies are at risk of entering recession.

Covid-19 restrictions and regulations have now been lifted but the risk remains of serious new variants emerging.

These circumstances create more than usual uncertainty for the period ahead.

We have confidence in our tried and tested business approach and will continue to focus on achieving long term, low risk growth in asset value and rental income. This approach which has served us well in good times and in bad should enable us to make continued progress in the coming period.

I am grateful to our staff who adapted to the Covid-19 operating conditions and enabled the company to continue with business as usual.

*B S E Freshwater*  
Chairman

Front cover: 611 West  
158th Street, Manhattan,  
New York, USA; inside  
front cover: Aldgate  
Travelodge, Middlesex  
Street, London E1; contents  
page: the Strand Palace  
Hotel, London WC2; this  
page and opposite page:  
Africa House, Kingsway,  
London WC2.

## FINANCIAL HIGHLIGHTS

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NET VALUATION GAIN

**£101.1 million**

2021: £33.8 million

PROFIT BEFORE TAX

**£159.7 million**

2021: £72.0 million

EARNINGS PER SHARE

**£3.53**

2021: £3.35

SHAREHOLDERS' FUNDS

**£1,955.6 million**

2021: £1,901.2 million

SHAREHOLDERS' FUNDS PER SHARE

**£120.01\***

2021: £116.67\*

GEARING

**23.6%\***

2021: 24.3%\*

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\*Definitions of these alternative performance measures are included on pages 84 and 85.

## STRATEGIC REPORT

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### Objectives

For many years we have focussed on the pursuit of the Group's objective of achieving long term, low risk growth in net asset value and rental income, and in prudently growing our dividends.

**Net asset value per share (£)**

**Gross rental income**

### Strategy

The strategy for achieving our objectives has three principal elements:

- Management of our property portfolio to maximise net rental income and thereby enhance capital values
- Identification and completion of value enhancing development opportunities within our portfolio
- Identification and completion of new property acquisitions which have the potential, through development or otherwise, for long term enhancement to net asset value

In pursuing this strategy we take the view that property is a long term business which does not always fit conveniently into the annual reporting cycle. Development opportunities, in particular, can take many years from first idea to first letting and will often involve substantial investment over a period of years before any gain is achieved. We carefully monitor our exposure to ensure that the impact on our resources remains manageable.

## STRATEGIC REPORT continued

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### **Business model**

The main activity of the Group, as carried on through its subsidiary companies, is investment in commercial, industrial and residential property in the UK and also on the eastern seaboard of the USA. The Group generally holds its properties for the long term in order to generate rental income and capital appreciation although in the right circumstances any property could be available for sale.

The Group operates a substantially outsourced business model. Day-to-day management of the Group's properties in the UK is carried out by Highdorn Co. Limited and Freshwater Property Management Limited. These companies also provide the staff who carry out all of the UK functions of the Group. Further details of the relationship with these companies are set out in Note 18 to the financial statements.

Similar arrangements with local managing agents operate in the USA.

### **Managing risk**

Whilst retaining an entrepreneurial culture, the Group has a low appetite for risk. This underpins our approach to all aspects of the business and is appropriate to our strategic objective of delivering long term, low risk growth in net asset value per share.

The Board has undertaken a robust assessment of the principal and emerging risks facing the Group, by reviewing detailed risk reports, including those risks threatening its business model, future performance, solvency and liquidity.

In relation to financial instrument risk, the Group operates a cautious financial policy on a non-speculative and long term basis in order to enable the Group to carry on its business in confidence and with strength. The Group aims to ensure that the cost of capital is kept to a minimum through the maintenance of its many long standing relationships with leading banks and other financial institutions. The Group seeks to minimise the risk of sudden or unexpected rises in finance costs by way of fixed rate debt and financial derivative instruments whilst retaining some flexibility in relation to short term interest rates. As explained in Note 1(g) to the financial statements, the Group does not hedge account. Note 17 to the financial statements details the Group's exposure to the various financial instrument risks.

Managing risk has been central to the success of the Group over many years and in particular gearing has been kept at a relatively low level for the property industry; currently gearing is 23.6% (2021 - 24.3%).

The Board recognises that, in common with all companies, it can only have limited control over many of the external risks which it faces. The largest of such "uncontrollable" factors is the economic cycle

## STRATEGIC REPORT continued

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which has a major impact on the demand for and price of property and the ability of the Group to achieve its strategic objectives.

The principal risks facing the Group are described in the following paragraphs together with the steps which are taken to mitigate and manage them.

### ***External risks***

#### ***Economic outlook***

For the first time in many years the immediate economic outlook is dominated by the threat of increasing rates of inflation and by recession. In both the UK and USA consumer price inflation is running at over 9%. The monetary authorities in both countries have started raising interest rates with a view to dampening demand and bearing down on price rises. This process brings with it the risk of triggering recession; this risk is greater in the UK than the USA.

Although the restrictions put in place during the Covid-19 pandemic have now eased, "working from home" has now become an established feature of business life which will clearly have an impact on the future demand for office space.

We also face political uncertainty at both the international and UK levels as a consequence of the Russian invasion of Ukraine and the forced departure of Prime Minister Johnson.

This is the background which provides the risks and opportunities for our residential tenants and for the businesses of our commercial tenants and their demand for space.

We seek to mitigate and manage such risk by:

- Continuous monitoring of the economic outlook and asset allocation
- Continued maintenance of low gearing and the conservation of cash and bank facilities
- Rigorous tenant covenant checks including independent assessments for major lettings; in the case of smaller properties we undertake such checking as is appropriate
- Enhanced rent collection effort to minimise the possibility of bad debts

This page and opposite  
page: 105-109 Salisbury  
Road, Queens Park,  
London NW6.

***Availability of finance on acceptable terms***

In order to undertake significant acquisitions or projects of development and value enhancement within our portfolio, the Group relies in part on funding from the UK and USA property finance market. At present our experience shows that suitable finance can be obtained on acceptable terms. Nevertheless any reduction in the availability of finance for property at an acceptable cost and for an appropriate period would adversely affect the Group's ability to undertake acquisitions and major schemes of redevelopment and refurbishment.

We seek to mitigate and manage this risk by:

- Monitoring funding trends and the development of banking regulations
- Sustaining relationships with our principal financing partners, both banks and also other lending institutions
- Securing term finance facilities to meet our foreseeable requirements
- Ensuring that the maturities of major loan arrangements are spread over a period of years
- Continuing to seek to use financial instruments to fix or cap interest rates

***Movements in currency rates of exchange***

With 29% by value of the Group's property portfolio located in the USA, any significant movement in the US dollar/sterling rate of exchange will impact our reported results. The fall in the value of sterling relative to the US dollar in the financial year was 4% (2021 – rise of 10%). This has had the effect of increasing the reported value of our USA net assets. The average exchange rate for the year rose by 5% (2021 – 3% rise) and its impact on the reported USA results is not material.

We mitigate and manage this risk by:

- Funding US assets by US dollar borrowings and local retained earnings. This means that the impact of movements in the exchange rate is limited to accounting adjustments in the Group's consolidated accounts. An accounting profit of £15.2 million (2021 – loss of £31.7 million) arises in reserves mainly on the re-translation of the opening net book value of assets in the USA
- Incurring all costs used to generate US dollar rental income in US dollars



## STRATEGIC REPORT continued

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### *Regulation*

As commented in previous years, regulations aimed at the control of residential rental levels or shorthold tenancy arrangements could have an adverse impact on the Group. Regulations introduced in the UK in 2021 which restricted the ability of landlords to recover unpaid rent by legal process have now largely been removed. The UK government is seeking to reform leasehold arrangements. During the year it enacted the Leasehold Reform (Ground Rent) Act 2022 and although this legislation will not have a material impact on our business model, future legislation may adversely affect our ability to sell leasehold extensions.

Increased regulation on building or environmental standards, health and safety or planning matters could impose additional costs.

We seek to mitigate and manage this risk by:

- Careful monitoring of developments in legislation with the help of our professional advisers

### *Catastrophic events*

The operations of the Group were affected by the impact of the Covid-19 pandemic and could in future be adversely affected by the impact of further such events or a significant catastrophe such as extreme weather, fire, cyber-attack, civil disturbance or terrorism which could result in the loss of any of our principal buildings or offices and the records stored in them.

We seek to mitigate and manage this risk by:

- Maintaining a system of home working to ensure that the Group can continue to function despite the need for office closures
- Insuring buildings with third parties
- Physical building security
- Fireproof storage of leases and other documents of title
- Dispersal of business critical IT systems and enhanced data security measures

### *Tenant default*

Tenant default constitutes a risk to income and, ultimately, to capital value. Notwithstanding well publicised reports in the media of tenants defaulting on rental arrangements or unilaterally seeking

## STRATEGIC REPORT continued

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material rent reductions, we continue to receive the substantial majority of rentals due under contractual arrangements.

The multi-tenanted nature of the portfolio, with rental income derived from numerous properties, provides a natural measure of protection against the risk of individual default.

In addition, we seek to mitigate and manage this risk by:

- Seeking tenants with strong covenants
- Credit checks on new tenants including independent assessments for major lettings
- Careful monitoring of tenants showing signs of financial stress
- Actively using recovery mechanisms for overdue debts

### ***Retail Sector***

In recent times we have seen the contraction or collapse of many high profile retail chains. The change in shopping patterns and in particular the move to online shopping which has accelerated during the Covid-19 pandemic means that the downward pressure on UK shopping centres tenant demand and capital values is likely to continue. Parades of shops, an important part of our portfolio, have not so far suffered to the same extent. Our portfolio is not significantly exposed to the risk of any single retail tenant.

We seek to mitigate and manage this risk by:

- Close monitoring of developments in the retail sector
- Careful monitoring of tenants showing signs of financial stress
- Avoiding concentration on any one tenant or retail sector

This page and opposite  
page: Regency Lodge,  
Swiss Cottage, London  
NW3.

## STRATEGIC REPORT continued

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### **Analysis by property type**

### **Analysis by location**

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**Internal risks****Regional concentration in UK and US portfolios**

Within the UK, the majority of our properties are situated in and around the London area. Our portfolio is therefore significantly impacted by valuation trends in that area. Historically, our USA portfolio has been mainly located in New York where in recent years capital values have been impaired by the introduction of severe rent controls and restrictions. However following recent acquisitions, the greater part of the portfolio is now located in Florida where property values have benefitted from the movement of population into the state.

Changes in aggregate property value have a direct impact on the net worth of the Group.

We seek to mitigate and manage this risk by:

- Continuing to invest in the USA, principally in Florida and other locations outside New York
- Regular monitoring of the property market for opportunities, not just in London but throughout the UK
- Regular professional revaluations by our independent surveyors in the UK and USA

**Acquisitions**

The Group seeks well priced acquisitions which will meet the strategic objective of adding long term, low risk growth in net asset value. The Group's oft stated aversion to undue risk means that in a period of economic and political uncertainty, such as we presently face, opportunities for acquisition will be approached with extreme caution. There is nevertheless a risk that an inappropriate or ill-judged acquisition could destroy value.

We seek to mitigate and manage this risk by:

- Rigorous pre-acquisition screening of all buying opportunities and appropriate due diligence

**Development**

The Group continues to seek development opportunities, principally from within the portfolio but also elsewhere. Development provides an opportunity to enhance income and net asset values but carries risk as to planning, construction timing, costs and letting.

## STRATEGIC REPORT continued

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We seek to mitigate and manage these risks by:

- Rigorous screening of all development opportunities including external professional advice and, where appropriate, market research to ensure continued tenant demand
- Seeking fixed price contracts with building contractors
- Focusing on a limited number of developments at any one time
- Close monitoring, together with our external advisers, of active developments

### *People*

The Group relies heavily on the involvement of key executive directors in both strategic and day-to-day affairs. Loss of this involvement would be disruptive to business.

We have sought to mitigate and manage this risk by:

- The establishment of a strong Group management team to support the executive directors
- The appointment of directors from the next generation of the Freshwater family

### **Investment properties**

A professional valuation of all of the Group's properties was carried out at 31 March 2022. The UK properties were valued by Colliers International Property Advisers UK LLP, Chartered Surveyors. In the USA, all properties were valued by Metropolitan Valuation Services, Inc., Certified General Real Estate Appraisers.

This page: Tesco  
Supermarket,  
Ballards Lane, Finchley,  
London N3; opposite  
page: Chelsea Cloisters,  
Sloane Avenue,  
London SW3.

## STRATEGIC REPORT continued

The table below shows a summary of the valuation of our investment property at 31 March 2022:

	Valuation March 2022 £m	Valuation March 2021 £m
<b>Commercial property</b>		
UK	1,053.0	995.0
USA	104.3	96.8
<b>Residential property</b>		
UK	881.4	861.4
USA	683.7	629.4
<b>Less lease incentives</b>	<b>(17.0)</b>	<b>(18.2)</b>
<b>Total</b>	<b>2,705.4</b>	<b>2,564.4</b>

A more detailed analysis of the investment property portfolio is set out in Note 9 to the consolidated financial statements.

The changes shown above are attributable to the net gain arising on revaluation and movements resulting from purchases, capital expenditure, disposals and changes in currency rates of exchange. This is shown in the analysis below:

	2022 £m	2021 £m
Opening valuation	2,564.4	2,524.3
New acquisitions	0.1	68.1
Additions to existing properties	14.8	10.0
Disposals	(7.1)	(1.3)
	<b>2,572.2</b>	<b>2,601.1</b>
Revaluation gain	101.1	33.8
Foreign exchange gain/(loss)	32.1	(70.5)
Closing valuation	2,705.4	2,564.4

Our property portfolio values in the UK increased by 4.0% and those in the USA by 3.6% giving an overall uplift of 3.9%. Within the UK, our residential properties saw an uplift of 7% and offices 3%. However retail parades, which form the bulk of our UK retail, fell by 4%.

In the USA our New York co-op properties showed slight falls in value while our properties in other locations, particularly Florida, all showed increases.

### Acquisitions and Developments

In the UK the uncertainty created by the pandemic has restricted our ability to undertake development work. Our largest potential development at Oxford Street, London W1 remains on hold at the preparatory stage.

In the USA we continued to undertake improvement works to our newer purchases in Florida.

### Results for the year

The Group recorded a profit before taxation for the year ended 31 March 2022 of £159.7 million (2021 - £72.0 million). The result includes a net valuation gain of £101.1 million arising on investment properties (2021 - £33.8 million).

STRATEGIC REPORT continued

The table below shows the performance of the Group before and after valuation movements:

	2022 £m	2021 £m
Total rental and related income from investment property	168.4	162.5
Property operating expenses	(89.8)	(91.7)
Net rental and related income from investment property	78.6	70.8
Profit on disposals of investment property	15.3	3.2
Administrative expenses:		
Recurring	(17.9)	(14.9)
Non-recurring arising from scheme of arrangement	-	(3.3)
Net operating profit before net valuation movements	76.0	55.8
Net valuation gains on investment property	101.1	33.8
Net financing expense	(17.4)	(17.6)
Profit before taxation	159.7	72.0

Overall this year has seen an increase of £5.9 million in rental income equivalent to 3.6% (2021 - 1.9% reduction).

In the UK total rental income was essentially flat with the uplift from new lettings and rent reviews being offset by the loss of tenants from office properties. New lettings were well ahead of the number achieved in 2021 and are back above pre-Covid 19 levels. Rent reviews continued at the level achieved in 2021.

Our new Casselberry apartment complex in Florida which was acquired in March 2021 contributed rental income of \$7.1 million (2021 - \$185,000). Overall USA rental income increased by 13% (2021 - 1.1% decrease).

Service charge income represents the recovery of costs incurred on relevant leases. The small increase in the year reflects the fact that most work ceased in the first quarter of last year due to the Covid-19 pandemic.

This page and opposite page: Lauderdale Mansions, Maida Vale, London W9.

## STRATEGIC REPORT continued

There was no significant change in the overall level of property operating expenditure with reductions in bad debt provision and legal and professional fees being offset by increased local authority charges arising on buildings where tenants have vacated and by costs related to the new Florida property acquired in March 2021.

In 2022 profit on disposals largely arose on the sale of our properties at High Street, Sevenoaks and The Square, Birmingham. Profit on disposals also derive in part from the sale of lease extensions in the UK. When long leaseholders extend the length of their lease a premium is paid; the Group has no control over when these extensions may occur.

Interest costs in the UK have risen reflecting a full year's charge on the £225 million facility taken out in June 2020 as part of the financing of the new group structure. In the USA interest costs have risen as a result of new borrowing to finance the purchase of the Casselberry apartment complex.

This year's fair value movement on financial instruments was a gain of £5.3 million (2021 - £1.4 million).

Our realised profits are subject to tax in the UK at 19% and in the USA at 28.3%. Provision for deferred tax is then made for items recognised in the accounts but not realised for tax purposes, principally property revaluation surpluses. This provision is calculated at the rates which are expected to apply in the future. In the UK, the future tax rate has been increased to 25% and a small increase applies in the USA. The effect of these rate increases results in an additional tax provision in the year of £62.6 million. In the event that the UK increase to 25% does not occur then the additional provision will be released. Adjusting for the impact of this on the tax charge for the year, our overall effective tax rate would be 23.5% in the UK and 29.8% in the USA.

### *Earnings per share*

The Group recorded earnings per share of £3.53 (2021 - £3.35), which represents an increase of 18 pence per share (2021 - £6.27 increase).

### *Underlying profit before tax*

The profit reported in the financial statements has for some years included property revaluation movements and fair value adjustments to financial instruments. In addition to this measure of performance we also focus on "underlying profit before tax" which does not include these valuation items. Underlying profit before tax for the last two years is set out below:

	2022 £m	2021 £m
Profit before tax per the income statement	159.7	72.0
Property valuation surplus	(101.1)	(33.8)
Financial instruments fair value adjustments	(5.3)	(1.4)
Adjustment to measurement of disposal profits	0.6	1.0
Underlying profit before tax	53.9	37.8

This page top picture and  
opposite page top:  
25 Worship Street,  
London EC2, This page  
lower picture and  
opposite page below:  
49 & 50 Great  
Marlborough Street,  
London W1.



## STRATEGIC REPORT continued

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This year's underlying profit before tax of £53.9 million represents an increase of £16.1 million on the previous year (2021 – £37.8 million) which was adversely impacted by the Covid-19 pandemic.

Underlying profit before tax represents that element of our reported results which has actually been realised and is not dependent on valuation judgements. It represents the performance of our core rental business together with disposal profits which tend to fluctuate from year to year.

It is our underlying profit before tax which generates the cash we use to re-invest in the business and to pay dividends and taxes.

### ***Gearing***

Gearing, the ratio between our loans and borrowings and the value of our total assets, is 23.6% (2021 – 24.3%) for the Group as a whole. In the UK the ratio is 16.2% (2021 – 16.9%) whilst in the USA, where each property is financed separately on a ring-fenced basis, it is 42.3% (2021 – 43.8%).

### ***Shareholders' funds***

At 31 March 2022 shareholders' funds amounted to £1,955.6 million, an increase of 2.9% on last year's figure of £1,901.2 million (2021 increase of 0.3%). Shareholders' funds in recent years have been as follows:

Properties in Manhattan,  
New York, USA. Right:  
515-535 East 89th Street;  
above and opposite page:  
427 East 51st Street.

## STRATEGIC REPORT continued

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### Outlook

The Chairman's Introduction on page 2 and the section dealing with external risks on page 8 describe the economic and political factors which will affect the Group in the coming year.

In the immediate future we face levels of price inflation which are high and rising and interest rates which are being raised aggressively by monetary authorities. From time to time new variants of the Covid-19 virus emerge. Fortunately recent variants have so far proved to be of less concern than earlier versions.

In the current economic climate we continue to conserve and enhance our financial resources so that we remain well placed to take advantage of opportunities as they arise.

It is the nature of programmes of development and enhancement that they tend to span more than one accounting period and may take some time to bring to fruition; we are comfortable taking a long term, low risk approach to growing net asset value. We continue to explore development opportunities within our existing portfolio; the timing and speed with which these are pursued will be influenced by general economic and market conditions.

In the USA we continue to seek acquisition opportunities in favourable locations, mainly outside New York and, whenever possible, to refinance existing properties at more advantageous rates. There is strong competition for worthwhile opportunities but we stick to our rigorous selection criteria and are prepared to wait for the right transaction.

### Employees

The day-to-day activities are outsourced to management companies which are responsible for the provision of the services of the staff on whom we rely to run the business. As part of the arrangements with the management companies in the UK, those individuals engaged on the Group's affairs hold joint employment contracts but the management companies retain sole responsibility for setting recruitment, employment, training, health and safety, diversity and human rights policies for their staff. Whilst the Group supports and encourages good practice in all of these areas, detailed responsibility for the establishment and execution of such policies lies with the management companies. As a result, this report does not contain the kind of information mentioned in the Companies Act 2006 s414C (7)(b)(ii) and (iii).

This page and opposite page: The Franconia,  
West 72nd Street,  
Manhattan, New York,  
USA.

## STRATEGIC REPORT continued

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All Directors of the Company are male and no new recruitment to the Board is presently planned. In addition, there are 19 other directors of the Company's UK subsidiaries, of whom 12 or 63% are female and 7 or 37% are male. When the need for recruitment arises equal consideration is given to all candidates, regardless of gender, religion or ethnicity.

### **Health and Safety**

So far as health and safety is concerned, the Board recognises the importance of ensuring that our properties provide a safe and healthy environment for all users. With this in mind the Board has requested that the management companies ensure that:

- All their employees receive appropriate training in the identification and management of health and safety risks. Every employee is required to be familiar with health and safety policies and has responsibility for ensuring that they are followed in their area of work.
- Covid-19 secure workplaces and practices are established for all employees. This has involved enabling working from home where appropriate as well as deep cleaning of offices and the provision of sanitising materials. Working practices have been modified to maintain social distancing wherever possible and Covid-19 risk assessments have been completed.
- Regular cyclical risk assessments are undertaken by external consultants on all properties for which the Group has responsibility. A dedicated team is tasked with resolving issues raised by such assessments and with monitoring policy compliance.

To ensure that an awareness of the importance of this issue continues at the highest level within the Group, health and safety reviews are periodically presented at Board level.

### **Community**

The Group has long recognised the importance of supporting the communities in which we operate. Many companies encourage and facilitate their employees to donate their time and efforts to community projects; because our staffing is outsourced this route is not available to us. Our support therefore takes the following forms:

- Donations, largely to educational charities, which this year amounted to £75,522 (2021 - £183,335).

## STRATEGIC REPORT continued

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- Dividends on donated shares following the donation some years ago to charities of shares representing 6.3% of the capital of the Company with dividend payments in the year of £1,156,923 (2021 - £1,113,786) being passed to charitable companies.

### **Environment**

As mentioned above, all the staff engaged in the business and who control our buildings are provided by management companies. We do not have responsibility for the greenhouse gas emissions related to the employment of those people. The greenhouse gas emissions arising from our let properties are the responsibility of our tenants.

Pursuant to Part 7A 20E (3) of Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Company is exempt from the disclosures required in Part 7 regarding greenhouse gas emissions, energy consumption and energy efficiency action.

The scope for enhancing the environmental standards across the majority of our properties is limited. In the main they were constructed before the advent of modern standards and it would be neither practically nor economically feasible to undertake a complete upgrade to meet modern requirements. However, we do take the opportunities which arise each year as part of programmes of repair and refurbishment to improve the energy efficiency of our buildings and the plant therein.

When we undertake new developments or major schemes of refurbishment we strive to achieve the highest environmental and sustainability standards consistent with the nature of the building and the scheme being undertaken.

### **Section 172(1) statement**

The Directors have acted in the way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so had regard to the matters set out in Section 172 (1) (a) to (f) of the Companies Act 2006.

The Board considers the Group's key stakeholders to be the Group's: lenders, shareholders, staff provided by management companies, suppliers and tenants. The Board impress the need for an open, fair, honest and respectful workplace culture on senior management who ensure that all who

## STRATEGIC REPORT continued

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work for the Group are aligned to these values. This enables the Group to forge strong and mutually beneficial long term relationships with its key stakeholders, which is critical to the success of the business and its stated objective of the pursuit of long term, low risk growth in net asset value and rental income as explained on page 5. The executive directors aim to meet with many of the Group's key stakeholders each year and it is an important part of the role of senior management to meet with and foster business relationships with lenders, suppliers, tenants and other stakeholders. High standards of business conduct are demanded from all those who represent the Group whether they are members of the Board, staff provided by management companies or third party advisers, agents or other representatives.

### Viability review

The Directors have appointed a team led by senior management to assist the Board in undertaking a viability assessment. A thorough review has been undertaken of the Group's current financial, strategic and operational position, the Board's future plans for the business and the principal and emerging risks faced by the Group, described on pages 8 to 16 of the Strategic Report.

The Directors consider that five years remains an appropriate time horizon for assessing the longer-term viability of the business and this is consistent with the period which has been used for strategic planning.

- The Group has a low risk, balanced portfolio of properties, with many commercial properties occupied by tenants with long leases. Based on current trends and notwithstanding the lasting impact of the Covid-19 pandemic and the deteriorating economic outlook in the UK and USA, the Directors continue to believe that the Group will be able to grant short term leases on residential properties and new leases on commercial properties at comparable rents for at least five years.
- The Group utilises external funding and has available and committed facilities which are spread over a period of years. Most bank finance is available for an initial term of five years and all of the Group's current facilities mature during or beyond 2024. Discussions regarding the renewal or replacement of facilities occur in advance of their maturity. Current discussions with incumbent lenders give the Board confidence that the Group will be able to renew or replace existing facilities on competitive and affordable terms.

*This page and opposite  
page: Aldgate Travelodge,  
Middlesex Street,  
London E1.*

## STRATEGIC REPORT continued

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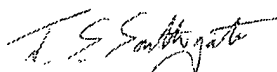
Assessment of the Group's viability over the next five years included stress testing key business metrics with what is considered the plausible worst-case potential impact of the principal and emerging risks. Whilst carrying out this assessment, the strength and effectiveness of the controls in place to mitigate risks were considered.

In determining what should be regarded as the plausible worst-case impact, the Board and senior management team have considered in detail and sought advice on the potential impact to UK property prices, demand for UK property and the associated impact on rents and yields, and the willingness of financial institutions to lend to UK property companies. Testing included assuming the proportion of UK rent and service charges collected for the following four quarters is the same as had been collected by 10 August 2022 for rent due in the quarter ended 31 July 2022. This amounts to approximately 7% not being collected, whereas only 2% of rental income for the year ended 31 March 2022 had not been collected by 10 August 2022. Notwithstanding the reduction in forecast cash collected, administration and operating costs were assumed to remain the same in real terms. Headroom on loan covenants has been stress-tested, the maturities of loan agreements reviewed and a five-year cash flow forecast produced.

The Directors confirm that, based on the analysis, they have a reasonable expectation that the Group can continue to operate and meet its liabilities as they fall due over the five-year period of their assessment.

By order of the Board

*J S Southgate*  
Company Secretary



13 September 2022

Properties in Tampa,  
Florida, USA. This page:  
Sunscape Apartments;  
opposite page: The Park  
At Chesterfield.

## DIRECTORS' REPORT

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### *Strategic Report*

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The Company's Strategic Report for the year ended 31 March 2022 is set out on pages 5 to 34 and contains the following information:

- The principal activities of the Group
- The business review of the Group
- An indication of the future developments of the Group
- The principal risks and uncertainties facing the business, including those relating to financial instruments
- Employee and environmental disclosures including those related to greenhouse gas emissions

### *Results and Dividend*

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The profit for the year amounted to £57.6 million (2021 – £54.5 million). A first interim dividend of 56p per share was approved on 18 August 2021 and a second interim dividend of 56p per share was approved on 7 March 2022. The Directors do not recommend the payment of a final dividend and expect to continue the current practice of paying two interim dividends each year.

### *Directors*

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The Directors who served throughout the year and up to the date of this report were:

Mr B S E Freshwater  
Mr S I Freshwater  
Mr D Davis  
Mr A M Freshwater  
Mr C B Freshwater  
Mr R E Freshwater

Brief biographies of the Directors are as follows:

Mr B S E Freshwater. Aged 74 – Joined the Board in December 1971 with primary responsibility for the Group's finances. In July 1976 he was appointed Managing Director and, additionally, became Chairman in July 1980.

Mr S I Freshwater. Aged 72 – Directs the Group's operations in the USA and also has responsibility for the Group's UK sales division. He has been a Director of the Company since January 1986.

Mr D Davis. Aged 87 – Previously a partner in Cohen Arnold, the Group's consulting accountants. He relinquished his partnership in 1971 in order to devote more time to his numerous business and other interests. He has been a non-executive Director of the Company since December 1971.

Mr A M Freshwater. Aged 51 – He is resident in the UK and sits as an Arbitrator in complex commercial disputes. He is an actual and potential beneficiary of trusts and a trustee of certain other trusts with substantial holdings of the Company's equity. He was appointed to the Board as a non-executive director in July 2010.

Mr C B Freshwater. Aged 50 – Was appointed to the Board as a non-executive Director in July 2017. He currently lectures at a London college. He is an actual and a potential beneficiary of trusts and a trustee of certain other trusts with substantial holdings of the Company's equity.

Mr R E Freshwater. Aged 52 – He is currently pursuing an academic career and lectures to graduate students. He is an actual and a potential beneficiary of trusts and a trustee of certain other trusts with substantial holdings of the Company's equity. He was appointed to the Board as a non-executive director in July 2010.

The powers of the directors of the Company are as set out in the Company's articles of association. During the year, the Company did not purchase any shares.

### *Directors' Interests in Transactions*

Day-to-day management of the Group's properties and its operations in the UK is mainly carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are directors of both companies. They have no direct beneficial interest in the share capital of Highdorn Co. Limited. Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis are also directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company. Mr C B Freshwater and Mr R E Freshwater have a beneficial interest in a trust holding interests in shares in Highdorn Co. Limited.

Details of the amounts paid for the provision of these services are set out in Note 18 to the financial statements.

### *Share Capital and Substantial Directors' and other Shareholdings*

The structure of the Company's share capital, including the rights and obligations attaching to the shares, is given in Note 14 to the financial statements. The Company has 16,295,357 shares in issue and, with the exception of the 763 shares beneficially owned by Mr D Davis, all shares are controlled by or held in trusts on behalf of members of the Freshwater family.

Directors' interests in the share capital of the Company are as follows:

	Beneficial interest		Non-beneficial interest	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
B S E Freshwater	457,683	457,683	12,245,617	12,245,617
S I Freshwater	206,920	206,920	8,332,941	8,332,941
D Davis	763	763	-	-
A M Freshwater	2,591,294	2,591,294	962,323	962,323
C B Freshwater	2,591,294	2,591,294	-	-
R E Freshwater	2,591,294	2,591,294	1,034,566	1,034,566

Notes:

- Beneficial interests of B S E Freshwater and S I Freshwater includes shares held by: (i) a company owned 50% by B S E Freshwater and 50% by S I Freshwater; and (ii) B S E Freshwater and S I Freshwater joint pension scheme.
- Beneficial interests of A M Freshwater, C B Freshwater and R E Freshwater include shares held by trusts in which they are each one of a large class of beneficiaries.
- Non-beneficial interests relate to shares held by trusts, charities and bodies corporate owned by family trusts where the director is a trustee or director.



## DIRECTORS' REPORT continued

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Included in the directors' holdings shown in the table on the previous page are the following holdings at 31 March 2022, each amounting to 3% or more of the Company's issued share capital:

	Shares	%
Dock Newco Limited	3,347,364	20.5
Henry Davies (Holborn) Limited	1,934,090	11.9
Trustees of the S I Freshwater Settlement	1,560,000	9.6
Distinctive Investments Limited	1,464,550	9.0
Quoted Securities Limited	1,305,631	8.0
Centremanor Limited	1,000,000	6.1
Valand Investments Limited	1,000,000	6.1
Silda 2 Limited	705,000	4.3
Mayfair Charities Limited	565,000	3.5
Tabard Property Investment Company Limited	500,000	3.1

There have been no changes to any of the above interests from 31 March 2022 up to the date of signing this report.

### *Corporate Governance*

This report combines by reference the Corporate Governance Report on pages 40 to 42.

### *Change of Control*

Part 6 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires the Company to identify those significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid and the effects of any such agreements.

The Group has seven bank loan and mortgage facilities which contain change-of-control clauses. Five of these facilities in certain circumstances require the prior written consent of the lender to a change of control over the parent company, without which such change of control would constitute an event of default. A change of control under the other two facilities would similarly constitute an event of default but no provision is made for the prior written consent of the lender. At 31 March 2022, these facilities represented £108.0 million (2021 – £109.1 million) of the loans and borrowings in the financial statements and undrawn facilities of £30.0 million (2021 – £30.0 million).

### *Going Concern*

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 5 to 34, which also refers to the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, Note 17 to the financial statements includes the Group's objectives, policies and processes for managing its financial risks, together with details of its financial instruments, hedging activities and exposures to credit, liquidity and market risks.

The Group generated cash from operating activities of £46.6 million during the year (2021 – £59.2 million). Gearing, on the basis of gross debt to total assets, was 23.6% (2021 – 24.3%) and net debt (total loans and borrowings less cash and cash equivalents) decreased to £592.5 million (2021 – £599.1 million). The Group had undrawn committed facilities of £55.0 million at the balance sheet date (2021 – £55.0 million).

The Group has undertaken a detailed and robust assessment of its projected future financial position including assessing what the Board considers a plausible worst-case downside scenario which incorporates the expected potential impact on the Group of the lasting impact of the Covid-19 pandemic and the deteriorating economic outlook in the UK and USA. The Board considered the potential impact to UK property prices, demand for UK property and the associated impact on rents and yields.

The plausible worst-case downside scenario included assuming the proportion of UK rent and service charges collected for the following four quarters is the same as had been collected by 10 August 2022 for rent due in the quarter ended 31 July 2022. This amounts to approximately 7% not being collected, which itself is around five percentage points lower than the actual collection of UK rental income that the Group has achieved to date for the year ended 31 March 2022. Notwithstanding the reduction in forecast cash collected, administration and operating costs were assumed to remain the same in real terms. Development costs and dividends were included at the current expected level, although as discretionary costs the Board have the scope to delay or cancel these if necessary.

The Board is satisfied that even in the plausible worst-case scenario, the Group will have sufficient resources to be able to continue to operate and there are no breaches of any of its loan covenants.

Consequently, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approving this Annual Report & Accounts. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### *Auditor*

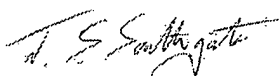
The Company's auditor, KPMG LLP, has expressed its willingness to continue in office and pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed as the Company's auditor.

### *Statement of Disclosure of Information to the Auditor*

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they each are aware there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

J S Southgate  
Secretary



13 September 2022

## CORPORATE GOVERNANCE REPORT

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### *Overview*

The Board has long recognised the benefits of strong corporate governance and its link to enhanced business performance. Strong corporate governance supports high levels of accountability and robust, informed and transparent decision-making which benefits the Group's major stakeholders. It also gives confidence and reassurance to our stakeholders that we operate with honesty, integrity and in a socially responsible way.

Each year, the Board reviews the Group's approach to corporate governance and considers any changes which might be necessary in light of developments in best practice and in the context of the needs of the Group's business. The Board's assessment of the Group's governance framework included consideration of the Wates Corporate Governance Principles for Large Private Companies issued in December 2018 and endorsed by the Financial Reporting Council. As it is now privately-owned, the Group is not required to apply the 2018 UK Corporate Governance Code, but has considered the principles included in this Code.

### *The Board*

The Group is controlled through the Company's Board of Directors. The Board's main roles are to create value for shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met.

The Board meets regularly throughout the year on both a formal and an informal basis. Comprehensive management information covering all aspects of the Group's business is supplied to the Board in a timely manner and in a form and quality which enables it to discharge its duties. The Board's principal focus, in accordance with the formal schedule of matters referred to it for decision, is on the formation of strategy and the monitoring and control of operations and financial performance. The performance of the Board and individual directors is kept under constant review by the Chairman and therefore it is not considered necessary to undertake a more formal process of evaluation, either internally or externally. All directors have access to the Company Secretaries who are responsible for ensuring compliance with the Board procedures. The Board has agreed a procedure for directors in the furtherance of their duties to take independent professional advice, if necessary, at the Company's expense. All directors are briefed by the Chairman of the views, and any changes to them, of the major shareholders.

### *Directors and Directors' Independence*

During the year the Board comprised the Chairman, who acts in an executive capacity, one further executive director and four non-executive directors. The names of the directors together with their biographical details are set out on pages 36 and 37. The directors are all members of the Freshwater family with the exception of Mr D Davis who, due to his length of service, is not considered to be independent. Given the Freshwater family are the shareholders of the Company, the Board reflects this.

## *Financial Reporting*

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The Board has ultimate responsibility for all aspects of the Group's financial reporting obligations. The key aspects of these obligations are as follows:

### **Accounting and significant areas of judgement**

It is essential to the standard of the Group's financial reporting that appropriate accounting policies are adopted and applied on a consistent basis. The Board is updated by management of the impact of new and emerging accounting standards and keeps under careful review those areas of its accounting policies requiring subjective or complex judgements or estimates. These areas, particularly in relation to fair value measurements of investment property are set out in Note 1(u) to the financial statements. As part of their review of the accounts, the Board also considers the valuation reports and discusses these with its valuers.

### **External auditor**

KPMG LLP and its predecessor entities have been the Group's statutory auditor since the Group in its current form was created by reverse takeover in 1959. The Board keep under careful review the independence of the auditor and the quality of its services to the Group and is satisfied that KPMG LLP and Richard Kelly who has been the Senior Statutory Auditor since 2015 provide a high quality, objective and cost effective service, from the sound base of their understanding of the Group's business.

Whilst there are no legal restrictions on the length of time an auditor can continue as the auditor of a private company, in line with good corporate governance the Board are considering tender options for the Group's audit.

The Board has a policy of using KPMG LLP to provide non-audit services to the Group only in relation to matters closely associated with the audit and maintains close scrutiny of its non-audit services and fees in order to safeguard objectivity and independence.

## *Internal Controls*

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The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors review the effectiveness of the Group's system of internal controls, covering financial, operational and compliance controls and risk management. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant business risks faced by the Group and the internal control systems, and that this process has been in place for the year under review and up to the date of approval of the Annual Report & Accounts. This process was considered by the Board at regular intervals.

The Board has considered the benefits likely to arise from the appointment of an internal audit function and has concluded that this is not currently necessary having regard to other controls which operate within the Group.

### **Key elements of the Group's system of internal controls**

These are as follows:

**Control environment:** The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. The Group has a clear organisational structure for planning, executing and monitoring business operations in order to achieve the Group's objectives. Lines of responsibility and delegation of authority are well defined.

## CORPORATE GOVERNANCE REPORT continued

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***Risk identification and evaluation:*** Management is responsible for the identification and evaluation of key risks applicable to the areas of the property market which impact its objectives. These risks are assessed on a continual basis, are subject to a robust annual assessment and may be associated with a variety of internal and external sources. The Board considers the risk implications of business decisions including those affecting all major transactions.

***Information and communication:*** Periodic strategic reviews are carried out which include the consideration of long term financial projections. Financial performance is actively monitored at Board level. Through these mechanisms group performance is monitored, risks identified in a timely manner, their implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

***Control procedures:*** The Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures include physical controls, segregation of duties, use of external experts and advisers where beneficial, reviews by management and reviews by the Company's external auditor to the extent necessary to arrive at their audit opinion.

***Monitoring and corrective action:*** The Board met regularly, formally and informally, throughout the year to review the internal controls. This process includes a detailed annual review of the significant business risks and formal consideration of the scope and effectiveness of the Group's system of internal control. In addition, the executive directors and senior management have a close involvement in the day-to-day operations of the Group and as such, the controls are subject to ongoing monitoring. The Board is satisfied with the scope and effectiveness of the internal controls.

## DIRECTORS' REMUNERATION REPORT

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### *Directors' Remuneration Policy*

Included in this report is the remuneration strategy and policy together with other relevant information about the terms and conditions applicable to executive directors of the Group:

#### **Overview**

The remuneration strategy is designed to be simple and transparent. In setting levels of remuneration it is important to:

- Reflect the interests and expectations of shareholders and other stakeholders
- Take account of pay and employment conditions of employees in the Group
- Reward the sustained growth and profitability of the business
- Encourage management to adopt a level of risk which is in line with the risk profile of the business as approved by the Board
- Ensure there is no reward for failure by having a contractual entitlement to compensation for loss of office

#### **Executive directors' potential remuneration**

Executive directors normally receive basic pay only. There are no bonus or incentive schemes in operation or any form of share option scheme or long term incentive plan, although during the current year both executive directors were paid an additional fee in recognition of their exceptional contribution to the Group following the scheme of arrangement. The executive directors are incentivised by virtue of all shares in issue, with the exception of the 763 shares beneficially owned by Mr D Davis, being held by or on behalf of themselves, other members of their families and their charitable interests.

#### **Strategy**

##### ***Purpose***

The salary is set to be competitive, relative to other companies operating in the same sector.

##### ***Annual review***

A review of executive directors' salaries is carried out each year once the results for the year are known and with reference to a comprehensive peer group of similar companies.

The annual review takes into consideration:

- Individual responsibilities, experience and performance
- Salary levels for similar positions in comparable businesses
- The level of pay increases awarded to staff whose services are provided by management companies
- Economic and market conditions
- Overall performance of the business

There is no overall limit to maximum increases save as to comply with the strategy outlined above.

#### **Benefits**

There are no additional benefits granted to any director over and above basic pay and bonus.

## DIRECTORS' REMUNERATION REPORT continued

### Pension

The Group does not operate a pension scheme for the directors and therefore they do not receive either pension contributions or entitlement to pension benefits as part of their remuneration by the Group.

### Recruitment of executive directors

No new appointments of executive directors have been made for many years but if an appointment were made, salary would take into account market data for the relevant role, the individual's experience and the responsibilities expected of them.

### Service contracts

No director has a service contract. Company policy is to employ executive directors at will, with no contractual entitlement to compensation for loss of office. Mr B S E Freshwater has served as a director since 1971 and Mr S I Freshwater has served as a director since 1986.

The non-executive directors are not appointed for a fixed term but are subject to periodic reviews. Mr D Davis was appointed in 1971, Mr A M Freshwater and Mr R E Freshwater were appointed in 2010. Mr C B Freshwater was appointed in 2017. They are all remunerated by a fixed director's fee.

### *Annual Report on Remuneration*

This section describes all payments to directors in connection with the year under review.

### Total directors' remuneration

Details of each individual director's remuneration are set out below on an accruals basis:

2022	Base Salary £	Additional fee £	Total £
Mr B S E Freshwater	1,400,000	1,500,000	2,900,000
Mr S I Freshwater	1,400,000	1,500,000	2,900,000
Mr D Davis	20,000	–	20,000
Mr A M Freshwater	85,000	–	85,000
Mr C B Freshwater	20,000	–	20,000
Mr R E Freshwater	85,000	–	85,000
	3,010,000	3,000,000	6,010,000

	Base Salary £	Additional fee £	Compensation for loss of office £	Total £
2021				
Mr B S E Freshwater	1,350,000	-	-	1,350,000
Mr S I Freshwater	1,350,000	-	-	1,350,000
Mr S B Benaim*	5,833	50,000	50,000	105,833
Mr D Davis	20,000	-	-	20,000
Mr A M Freshwater	20,000	-	-	20,000
Mr C B Freshwater	20,000	-	-	20,000
Mr R E Freshwater	20,000	-	-	20,000
Mr S Srulowitz*	5,000	40,000	-	45,000
	2,790,833	90,000	50,000	2,930,833

\* Mr S B Benaim resigned on 31 May 2020 and Mr S Srulowitz resigned on 30 June 2020.

The Group maintains comprehensive liability insurance for its directors and officers.

#### Changes in the year

Mr D Davis is the senior non-executive Director and has responsibility for recommending executive directors' remuneration which is subsequently approved by the full Board.

Mr B S E Freshwater and Mr S I Freshwater each received an increase in basic salary of £50,000 per annum during the year (2021 - £50,000), equivalent to 3.7% (2021 - 3.8%). The increases were agreed by the Board.

The total staff costs borne by the Group under its arrangements with its management companies and the salary costs of directors of subsidiaries in the UK decreased by 3.7% (2021 - increase of 5.1%). The decrease arose due to cost savings from reduced staff numbers described on page 64, which included a small reduction in more highly paid management roles and lower additional funding of the deficit in a pension scheme being only partially offset by the cost of annual salary increases and directors of subsidiary companies being in office for a whole year. Since such staff are employed under these arrangements, no consultations regarding directors' remuneration policy or implementation have been held.

It is intended that the current practice of annual reviews and the method in which they are carried out will continue to be adopted in the future.

#### Non-executive directors' remuneration

Non-executive directors of the Company each receive a base fee of £20,000 per annum which is reviewed periodically, pro-rated for his or her period of service in any one year. This entitlement has not changed in recent years.

Included in the tables on pages 44 and 45 for both Mr A M Freshwater and R E Freshwater are fees of £65,000 (2021 - £30,000) from subsidiary companies that they are also a director of. Additionally, other directors of subsidiary companies received fees of £1,270,000 (2021 - £540,000); these amounts are not included in the tables on pages 44 and 45 as the recipients are not directors of the Company.



## DIRECTORS' REMUNERATION REPORT continued

### Relative importance of spend on pay

The table below demonstrates the relative amounts expended by the Group on staff costs, Directors' remuneration and dividends to shareholders. The Company did not buy back any shares during the year.

	Staff costs		Directors' remuneration		Dividends to shareholders	
	£000	% of total	£000	% of total	£000	% of total
2022	8,126	25.1	6,010	18.6	18,251	56.3
2021	8,440	28.9	2,991	10.3	17,762	60.8

### Statement of directors' shareholdings and share interests

There is no minimum shareholding requirement for executive or non-executive directors. The directors' share interests are complex and are set out in the Directors' Report on pages 37 and 38.

The basic pay of the Chairman and Managing Director who is also the highest paid director over the past ten years is shown as a single figure in the table below:

<b>Mr B S E Freshwater</b>	<b>£</b>
2013	820,000
2014	870,000
2015	1,000,000
2016	1,100,000
2017	1,150,000
2018	1,200,000
2019	1,250,000
2020	1,300,000
2021	1,350,000
2022	2,900,000

## DIRECTORS' RESPONSIBILITIES STATEMENT

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The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with the UK accounting standards, including 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 parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' RESPONSIBILITIES STATEMENT continued

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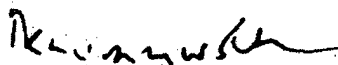
### *Responsibility statement of the directors in respect of the annual financial report*

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

B S E Freshwater  
Chairman



13 September 2022

# INDEPENDENT AUDITOR'S REPORT

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## To the members of Daejan Holdings Ltd

### Opinion

We have audited the financial statements of Daejan Holdings Ltd ("the company") for the year ended 31 March 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31-March 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Going concern

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

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

Our conclusions based on this work:

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

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

### Fraud and breaches of laws and regulations – ability to detect

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

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

- Enquiring of the directors of whether they are aware of fraud and of the company's high-level policies and procedures to prevent and detect fraud; and
- Reading minutes of the meetings of the board of directors;

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

## INDEPENDENT AUDITOR'S REPORT continued

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

We did not identify any additional fraud risks.

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

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

We also performed procedures including:

- identifying journal entries to test based on a risk criteria and comparing the identified entries to supporting documentation. These included those containing certain key words, and those posted with unexpected account combinations.

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

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

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

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

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

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an effect: landlord and tenant legislation, property laws and building legislation, recognising the nature of the company's activities.

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

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

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

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

### **Other information**

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

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

Based solely on that work:

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

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

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

- adequate accounting records have not been kept 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 these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the company's 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.



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

13 September 2022

## CONSOLIDATED INCOME STATEMENT

		Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
<i>for the year ended 31 March 2022</i>	<i>Notes</i>		
Gross rental income		153,632	148,703
Service charge income		14,754	13,754
<b>Total rental and related income from investment property</b>	<b>2</b>	<b>168,386</b>	<b>162,457</b>
Property operating expenses	3	(89,840)	(91,659)
<b>Net rental and related income from investment property</b>		<b>78,546</b>	<b>70,798</b>
Profit on disposal of investment property		15,344	3,248
Net valuation gains on investment property	9	101,072	33,817
Administrative expenses:	4		
Recurring		(17,871)	(14,984)
Non-recurring arising from scheme of arrangement		-	(3,259)
<b>Total administrative expenses</b>		<b>(17,871)</b>	<b>(18,243)</b>
<b>Net operating profit before net financing costs</b>		<b>177,091</b>	<b>89,620</b>
Fair value gains on derivative financial instruments		5,298	1,434
Other finance income	5	3,677	4,971
Finance expenses	5	(26,407)	(24,051)
<b>Net financing costs</b>		<b>(17,432)</b>	<b>(17,646)</b>
<b>Profit before taxation</b>		<b>159,659</b>	<b>71,974</b>
Income tax charge	6	(102,011)	(17,518)
<b>Profit for the year</b>		<b>57,648</b>	<b>54,456</b>
<b>Attributable to:</b>			
Equity holders of the parent		57,510	54,598
Non-controlling interest		138	(142)
<b>Profit for the year</b>		<b>57,648</b>	<b>54,456</b>
<b>Basic and diluted earnings per share</b>	<b>7</b>	<b>£3.53</b>	<b>£3.35</b>

The accompanying notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
<i>for the year ended 31 March 2022</i>		
Profit for the year	57,648	54,456
Foreign exchange translation differences	15,171	(31,732)
Total comprehensive income for the year	72,819	22,724
Attributable to:		
Equity holders of the parent	72,635	22,975
Non-controlling interest	184	(251)
Total comprehensive income for the year	72,819	22,724

All comprehensive income may be reclassified as profit and loss when realised in the future.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>for the year ended 31 March 2022</i>	Issued share capital £000	Share premium account £000	Translation reserve £000	Retained earnings £000	Equity shareholders' funds £000	Non- controlling interest £000	Total equity £000
Balance at 1 April 2020	4,074	555	76,235	1,815,099	1,895,963	1,205	1,897,168
Profit/(loss) for the period	-	-	-	54,598	54,598	(142)	54,456
Foreign exchange translation differences	-	-	(31,623)	-	(31,623)	(109)	(31,732)
Distributions to minority interest	-	-	-	-	-	(28)	(28)
Dividends to equity shareholders	-	-	-	(17,762)	(17,762)	-	(17,762)
Balance at 1 April 2021	4,074	555	44,612	1,851,935	1,901,176	926	1,902,102
Profit for the period	-	-	-	57,510	57,510	138	57,648
Foreign exchange translation differences	-	-	15,125	-	15,125	46	15,171
Distributions to minority interest	-	-	-	-	-	(171)	(171)
Dividends to equity shareholders	-	-	-	(18,251)	(18,251)	-	(18,251)
Balance at 31 March 2022	4,074	555	59,737	1,891,194	1,955,560	939	1,956,499

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The accompanying notes form an integral part of the financial statements.



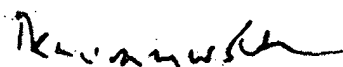
## CONSOLIDATED BALANCE SHEET

<i>as at 31 March 2022</i>	<i>Notes</i>	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
<b>Assets</b>			
Investment property	9	2,705,444	2,564,445
Deferred tax assets	10	118	234
Loan to a related party	11	225,000	222,693
<b>Total non-current assets</b>		<b>2,930,562</b>	<b>2,787,372</b>
Properties held for sale	13	–	8,450
Trade and other receivables	11	90,814	83,143
Current investments		132	131
Cash and cash equivalents	12	157,505	132,120
<b>Total current assets</b>		<b>248,451</b>	<b>223,844</b>
<b>Total assets</b>		<b>3,179,013</b>	<b>3,011,216</b>
<b>Equity</b>			
Share capital	14	4,074	4,074
Share premium		555	555
Translation reserve		59,737	44,612
Retained earnings		1,891,194	1,851,935
<b>Total equity attributable to equity holders of the parent</b>		<b>1,955,560</b>	<b>1,901,176</b>
Non-controlling interest		939	926
<b>Total equity</b>		<b>1,956,499</b>	<b>1,902,102</b>
<b>Liabilities</b>			
Loans and borrowings	16	744,109	725,793
Deferred tax liabilities	10	399,225	300,717
Lease obligations payable	9	8,234	8,267
<b>Total non-current liabilities</b>		<b>1,151,568</b>	<b>1,034,777</b>
Loans and borrowings	16	5,929	5,384
Trade and other payables	15	63,770	67,326
Taxation		1,247	1,627
<b>Total current liabilities</b>		<b>70,946</b>	<b>74,337</b>
<b>Total liabilities</b>		<b>1,222,514</b>	<b>1,109,114</b>
<b>Total equity and liabilities</b>		<b>3,179,013</b>	<b>3,011,216</b>

The financial statements on pages 52 to 85 were approved by the Board of Directors on 13 September 2022 and were signed on its behalf by:

B S E Freshwater

Director



The accompanying notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>for the year ended 31 March 2022</i>	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations (Note 21)	46,613	59,195
Interest received	7,976	1,941
Interest paid	(26,163)	(26,646)
Tax paid	(3,750)	(5,304)
<b>Net cash generated from operating activities</b>	<b>24,676</b>	<b>29,186</b>
<b>Cash flows from investing activities</b>		
Acquisition and development of investment property	(14,715)	(79,038)
Proceeds from sale of investment property	29,658	3,102
<b>Net cash generated from/(absorbed by) investing activities</b>	<b>14,943</b>	<b>(75,936)</b>
<b>Cash flows from financing activities</b>		
Loan to related party	(2,307)	(225,000)
Repayment of loan to related party received	-	2,307
Repayment of bank loans	(758)	(1,505)
New bank loans	-	225,000
Repayment of mortgages	(53,433)	(40,024)
New mortgages	57,096	92,816
Dividends paid to equity holders of the parent	(18,251)	(11,876)
Payments to non-controlling interest	(171)	(28)
<b>Net cash (absorbed by)/generated from financing activities</b>	<b>(17,824)</b>	<b>41,690</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>21,795</b>	<b>(5,060)</b>
Cash and cash equivalents brought forward	132,120	146,275
Effect of exchange rate fluctuations on cash held	3,590	(9,095)
<b>Cash and cash equivalents (Note 12)</b>	<b>157,505</b>	<b>132,120</b>

The accompanying notes form an integral part of the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### *1. Significant Accounting Policies*

Daejan Holdings Limited is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as "the Group").

The consolidated financial statements were authorised for issuance on 13 September 2022.

#### (a) Statement of compliance

The consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards ("IFRS").

The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and these are presented on pages 86 to 90.

#### (b) Basis of preparation

The consolidated financial statements are presented in sterling, the Company's functional currency and the Group's presentational currency, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property, derivative financial instruments, current asset investments and properties held for sale.

The Group has undertaken a detailed and robust assessment of its projected future financial position including assessing what the Board considers a plausible worst-case downside scenario which incorporates the expected potential impact on the Group of the lasting impact of the Covid-19 pandemic and the deteriorating economic outlook in the UK and USA. The Board considered the potential impact to UK property prices, demand for UK property and the associated impact on rents and yields.

The plausible worst-case downside scenario included assuming the proportion of UK rent and service charges collected for the following four quarters is the same as had been collected by 10 August 2022 for rent due in the quarter ended 31 July 2022. This amounts to approximately 7% not being collected, which itself is around five percentage points lower than the actual collection of UK rental income that the Group has achieved to date for the year ended 31 March 2022. Notwithstanding the reduction in forecast cash collected, administration and operating costs were assumed to remain the same in real terms. Development costs and dividends were included at the current expected level, although as discretionary costs the Board have the scope to delay or cancel these if necessary.

The Board is satisfied that even in the plausible worst-case scenario, the Group will have sufficient resources to be able to continue to operate and there are no breaches of any of its loan covenants.

Consequently, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approving this Annual Report & Accounts. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the events or amounts involved, actual results ultimately may differ from those estimates. The areas involving a higher degree of complexity, judgement or estimation are set out in Note 1(u) on page 61.

The accounting policies set out in this Note 1 have been applied consistently throughout the Group to all periods presented in the consolidated financial statements, except as described below.

#### Accounting standard changes

On 31 December 2020, the transition period following the UK's decision to leave the European Union ended and all EU endorsed IFRS became UK-adopted IFRS. Amendments to and new IFRSs from 1 January 2021 are subject to endorsement by the UK Endorsement Board. These financial statements have therefore been prepared under UK-adopted International Accounting Standards. This change amounts to a change in the accounting framework only and it has not had any impact on the consolidated financial statements. The Group has applied the following new accounting standards and interpretations during the year:

- Covid-19 related rent concessions – Amendment to IFRS 16
- Interest rate benchmark reform – Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 29

The adoption of these amendments has not had a material impact on the consolidated financial statements.

The following amendments to standards and interpretations relevant to the Group have been issued but are not yet effective. None of these have been early-adopted by the Group and, based on the Group's ongoing assessment of each of them, none are expected to have a material impact on the Group's financial statements:

- Annual improvements to IFRS standards 2018-2020
- References to the conceptual framework – Amendments to IFRS 3
- Classification of liabilities as current or non-current – Amendments to IAS 1
- Disclosure of accounting policies – Amendments to IAS 1
- Definition of accounting estimates – Amendments to IAS 8
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

#### (c) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to direct relevant activities of an entity and an exposure to variable returns so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

#### (d) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

#### (e) Income available for distribution

Under the articles of association of certain Group investment undertakings, realised capital surpluses are not available for distribution as dividends.

#### (f) Foreign currency translation

The assets and liabilities of foreign operations are translated to sterling at the foreign exchange rate ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on re-translation are recognised directly in a separate component of equity. The cumulative translation difference for all foreign operations was deemed to be zero as at the date of transition to IFRS. The year end and average rates used for these purposes were as follows:

	Year end		Average	
	2022	2021	2022	2021
US Dollar	1.32	1.37	1.37	1.31

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### (g) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational and financing activities. As these derivatives do not qualify for hedge accounting, they are accounted for as trading instruments. Derivative financial instruments are initially recognised, and subsequently recorded, at fair value. The fair value of interest rate swaps and caps is the estimated amount that the Group would recover or pay to terminate the swap or cap at the balance sheet date, taking into account current interest rates and the credit worthiness of the swap or cap counterparties. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

### (h) Investment property and properties held for sale

IFRS defines investment properties as those which are held either to earn rental income or for capital appreciation or both. All of the Group's property falls within this definition apart from one property which is classified as a current asset held for sale. Investment property is initially recognised at cost and subsequently recorded at fair value. Properties held for sale are recorded at fair value.

External, independent valuation firms having appropriate recognised professional qualifications and recent relevant experience in the location and category of property being valued, value the portfolio annually at the Company's year end. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuations are prepared either by considering the aggregate of the net annual operating income from the properties using a market yield/capitalisation rate which reflects the risks inherent in the net cash flow which is then applied to the net annual operating income, or on a sales comparison basis. Any gains or losses arising from a change in fair value are recognised in the income statement.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be treated as an investment property, and is measured based on the fair value model. Interest is capitalised on such developments to the extent that such interest is directly attributable to the cost of redevelopment.

The Group's interest in some of its investment properties are in the form of a long lease as opposed to freehold ownership. Following the adoption of IFRS 16 Leases, the Group recognises as liabilities amounts payable under head leases and a corresponding right of use asset, which is included in investment property. These leased investment properties are initially recorded at the present value of the remaining lease payments and are then subsequently carried at fair value. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Leases held at the date of transition were discounted using the Group's incremental borrowing cost at that date.

Properties are classified as being held for sale when it is considered highly probable that a sale will be completed within one year of the classification date.

Acquisitions and disposals are recognised on the date that the significant risks and rewards of ownership have been transferred. Any resulting gain or loss based on the difference between sale proceeds and valuation is included in the income statement and taxation applicable thereto is shown as part of the taxation charge.

### (i) Current investments

Investments comprise equity securities and other investments held for trading and classified as current assets stated at fair value, with any resultant gain or loss recognised in the income statement.

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(j) Trade and other receivables

Trade and other receivables are initially stated at fair value and subsequently carried at cost less an allowance for impairment. These assets are not discounted as the effect is deemed immaterial.

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(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits. These short term deposits are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are repayable on demand and form an integral part of the Group's cash management. Bank overdrafts when utilised are therefore included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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(l) Dividends

Dividends are recognised as a liability in the period in which they are approved.

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(m) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently carried at amortised cost.

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(n) Net rental income

Net rental income comprises rent, service charges and other property related income receivable less applicable provisions and costs associated with the properties. Rental income from investment property leased out under operating leases is recognised in the income statement on a straight-line basis over the certain term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. If a rent review is due but not yet agreed with the tenant any expected rent increase is only recognised when receipt is highly probable. Service charge income is recognised as the services are provided. Net rental income is stated net of recoverable VAT.

The cost of repairs is written off to the income statement in the year in which the expenditure was incurred. Lease payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

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(o) Dividend income

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which, in the case of quoted securities, is the ex-dividend date.

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(p) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. The tax charge for the year is recognised in the income statement, the statement of comprehensive income or directly in equity, depending on the accounting treatment of the related transaction.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities (which, in the case of investment property, is assumed to be through sale), using tax rates enacted or substantively enacted at the balance sheet date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

### (q) Segmental reporting

The Company has identified its operating segments on the basis of those components of the Group which engage in business activities from which they may earn revenues and incur expenses, and for which discrete financial information is available and regularly reviewed by the Chief Operating Decision Maker in order to allocate resources and assess performance. The Group has determined the Chief Operating Decision Maker to be the Board of Directors.

### (r) Impairment

The carrying amounts of the Group's assets, other than investment property and properties held for sale (see Note 1(h)) and deferred tax assets (see Note 1(p)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated and an impairment loss recognised whenever the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value-in-use. The value-in-use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group makes a provision for impairment for the expected credit losses associated with its trade and other receivables reflecting historic credit loss experience, informed credit assessments and forward looking information.

The Group makes provisions of an amount equal to lifetime expected credit loss ("ECL"), except for debt securities and bank balances for which credit risk has not increased significantly since initial recognition which are measured as 12-month ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Credit losses are measured as the present value of all cash shortfalls and are discounted at the effective interest rate of the financial asset.

### (s) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (t) Loans and borrowings

Floating rate and fixed rate loans and borrowings are initially recognised at fair value and are subsequently recorded at amortised cost. Transaction costs are deducted from the fair value at recognition and any differences between the amount initially recognised and the redemption value is recognised in the income statement over the period of the borrowings on an effective interest rate basis. When mortgages are refinanced, any redemption costs are immediately recognised in the income statement.

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(u) *Significant judgements, key assumptions and estimates*

The Group's significant accounting policies are set out in 1(a) to 1(t) on pages 56 to 60. Not all of these policies require management to make subjective or complex judgements or estimates. The following is intended to provide further detail relating to the accounting policy that management considers particularly significant because of the level of complexity and estimation involved in its application and its impact on the consolidated financial statements.

*Property valuations*

The valuation of the Group's property portfolio is inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions (as set out in Note 9). Therefore the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of difficult market or economic conditions. As noted in Note 1(h), all the Group's properties are valued by external valuers with appropriate qualifications and experience.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 2. Segmental Analysis

The Group is managed through two discrete geographical divisions and has only one product or service, being investment in property for the generation of rental income and/or capital appreciation. This is reflected in the Group's structure and in the segment information reviewed by the Board.

	<i>UK</i>	<i>USA</i>	<i>Eliminations</i>	<i>Total</i>
<i>for the year ended 31 March 2022</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Rental and related income	102,623	65,763	–	168,386
Property operating expenses	(52,516)	(37,324)	–	(89,840)
Profit on disposal of property	15,941	(597)	–	15,344
Net valuation movements on property	74,124	26,948	–	101,072
Administrative expenses	(16,394)	(1,477)	–	(17,871)
Profit before finance costs	123,778	53,313	–	177,091
Fair value gains	5,298	–	–	5,298
Other financial income	3,392	461	(176)	3,677
Financial expenses	(11,436)	(15,147)	176	(26,407)
Profit before taxation	121,032	38,627	–	159,659
Income tax charge	(87,352)	(14,659)	–	(102,011)
Profit for the year	33,680	23,968	–	57,648
Capital expenditure	9,935	5,052	–	14,987
Investment property	1,920,620	784,824	–	2,705,444
Other assets	355,697	130,109	(12,237)	473,569
Total segment assets	2,276,317	914,933	(12,237)	3,179,013
Total segment liabilities	(703,925)	(530,826)	12,237	(1,222,514)
Capital employed	1,572,392	384,107	–	1,956,499

<i>for the year ended 31 March 2021</i>	<i>UK</i> £000	<i>USA</i> £000	<i>Eliminations</i> £000	<i>Total</i> £000
Rental and related income	101,796	60,661	-	162,457
Property operating expenses	(56,853)	(34,806)	-	(91,659)
Profit/(loss) on disposal of property	4,327	(1,079)	-	3,248
Net valuation movements on property	8,210	25,607	-	33,817
Administrative expenses				
Recurring	(13,898)	(1,086)	-	(14,984)
Non-recurring arising from scheme of arrangement	(3,259)	-	-	(3,259)
<b>Total administrative expenses</b>	<b>(17,157)</b>	<b>(1,086)</b>	<b>-</b>	<b>(18,243)</b>
Profit before finance costs	40,323	49,297	-	89,620
Fair value gains	1,434	-	-	1,434
Other financial income	4,409	746	(184)	4,971
Financial expenses	(9,893)	(14,342)	184	(24,051)
Profit before taxation	36,273	35,701	-	71,974
Income tax charge	(6,477)	(11,041)	-	(17,518)
<b>Profit for the year</b>	<b>29,796</b>	<b>24,660</b>	<b>-</b>	<b>54,456</b>
Capital expenditure	6,786	71,322	-	78,108
Investment property	1,841,368	723,077	-	2,564,445
Other assets	346,878	111,443	(11,550)	446,771
<b>Total segment assets</b>	<b>2,188,246</b>	<b>834,520</b>	<b>(11,550)</b>	<b>3,011,216</b>
<b>Total segment liabilities</b>	<b>(630,798)</b>	<b>(489,866)</b>	<b>11,550</b>	<b>(1,109,114)</b>
<b>Capital employed</b>	<b>1,557,448</b>	<b>344,654</b>	<b>-</b>	<b>1,902,102</b>

No single lessee accounted for more than 5% of the Group's rental and related income in either year.

### 3. *Property Operating Expenses*

	<b>2022</b> £000	<b>2021</b> £000
Movement in bad debt provision	540	5,343
Porterage, cleaning and repairs	39,710	39,570
Insurance	7,009	6,503
Building services	26,941	23,972
Other management costs	15,640	16,271
	<b>89,840</b>	<b>91,659</b>

Of the property operating expenses shown above, an amount of £1,238,000 (2021 - £940,000) related to properties which generated no income during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 4. Administrative Expenses

	2022 £000	2021 £000
Staff costs	6,856	7,900
Remuneration of directors of Daejan Holdings Limited	6,010	2,931
Remuneration of directors of subsidiary companies	1,270	540
Audit and accountancy	986	985
Legal and other administrative expenses	2,749	2,628
Total administrative expenses from recurring activities	17,871	14,984
Non-recurring administrative expenses arising from scheme of arrangement	–	3,259
	17,871	18,243

### Non-recurring administrative expenses:

During the prior year the company incurred expenses of £3,259,000 relating to the scheme of arrangement, the majority of these expenses were professional fees for advice received.

### Auditor's remuneration:

For the year, the fees payable to KPMG LLP were £50,000 (2021 – £50,000) for the audit of the Company and £850,000 (2021 – £800,000) for the audit of the Group's subsidiaries, together with £Nil (2021 – £Nil) for audit related assurance services and £Nil (2021 – £Nil) for other services.

In the UK, the average number of staff provided by the property and administrative management companies who performed roles for the Group totalled 172 (2021 – 183). The average number of full time equivalents whose staff costs were borne by the Group during the year was 120 (2021 – 129). The aggregate staff cost of these persons is shown above and can be analysed as follows:

	2022 £000	2021 £000
Salaries	5,400	6,011
NI contributions	559	645
Pensions	897	1,244
	6,856	7,900

In addition the property and administrative management companies provide, under agency arrangements, staff to perform various caretaking roles. Those costs totalling £892,000 (2021 – £976,000) are included within property operating expenses (Note 3) under portage, cleaning and repairs.

Details of Directors' remuneration are set out in the Directors' Remuneration Report.

## 5. Finance Income and Expenses

	2022 £000	2021 £000
Finance income:		
Bank interest receivable	-	56
Other finance income	3,677	4,915
	3,677	4,971
Finance expenses:		
Interest payable on bank loans	9,099	7,484
Interest payable on mortgages	16,529	15,572
Interest on lease obligation payable	499	502
Other interest payable	280	493
	26,407	24,051

## 6. Taxation

Taxation based on the profit for the year of the Company and its subsidiaries:

	2022 £000	2021 £000
UK corporation tax	7,973	2,923
UK prior year items	(399)	(1,029)
	7,574	1,894
Overseas taxation	792	1,303
Total current tax	8,366	3,197
Deferred tax	31,050	14,774
Deferred tax - increase/(reduction) in future tax rate	62,595	(453)
Total deferred tax	93,645	14,321
Total tax charge	102,011	17,518
<b>Reconciliation of tax expense</b>		
Profit before taxation	159,659	71,974
Corporation tax at the standard UK rate of 19% (2020 - 19%)	30,335	13,675
Increase/(reduction) in future tax rate	62,595	(453)
Prior year items	(509)	(269)
Impact of different tax rates	8,572	3,578
Indexation and non-taxable items	-	(793)
Non-allowable expenses	666	1,579
Other	352	201
Total tax charge	102,011	17,518

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

The current UK corporation tax rate is 19% and this is due to increase to 25% from 1 April 2023, a change that was enacted in the summer of 2021. We have therefore recalculated our deferred tax balances at 25%, the rate expected to apply when profits are realised, and this has resulted in a one-off deferred tax charge of £59,345,000. In the USA changes to certain USA state taxes meant that the rate of tax our USA results are subject to increased (2021 - decreased) slightly to 28.3% (2021 - 27.6%) leading to an overall increase (2021 - reduction) in our tax charge of £3,250,000 (2021 - £493,000).

The Group's effective tax rate for the current year was 64% (2021 - 24%). Removing the recalculation of the deferred tax liabilities due to tax rate changes (£62,595,000) and prior year tax credits of £509,000 our effective tax rate in the UK was 23.5% and in the USA was 29.8%.

### 7. *Earnings per Share*

Earnings per share is calculated on the profit, after taxation and non-controlling interests, of £57,510,000 (2021 - £54,598,000) and the weighted average shares in issue during the year of 16,295,357 (2021 - 16,295,357).

### 8. *Dividends*

	2022	2021
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
First interim dividend for the year ended 31 March 2021, approved 22 December 2020 @ 74p per share	-	12,059
Second interim dividend for the year ended 31 March 2021, approved 19 March 2021 @ 35p per share	-	5,703
First interim dividend for the year ended 31 March 2022, approved 18 August 2021 @ 56p per share	9,125	-
Second interim dividend for the year ended 31 March 2022, approved 7 March 2022 @ 56p per share	9,126	-
	<b>18,251</b>	<b>17,762</b>

### 9. *Investment Property*

	Freehold	Long leasehold	Short leasehold	Total	Total
	£000	£000	£000	2022	2021
				£000	£000
Balance at 1 April	2,093,057	443,430	27,958	2,564,445	2,524,260
Disposals	(96)	(7,037)	-	(7,133)	(1,249)
New acquisitions	18	120	-	138	68,061
Additions to existing properties	10,967	3,740	142	14,849	10,047
Revaluation (recognised in profit)	57,633	43,216	223	101,072	33,817
Foreign exchange movements	28,321	3,752	-	32,073	(70,491)
Balance at 31 March	2,189,900	487,221	28,323	2,705,444	2,564,445

External, independent professional valuations of all the Group's UK investment properties were carried out by Colliers International Property Advisers UK LLP, RICS Registered Valuers at 31 March 2022. The aggregate amount of £1,926.4 million (2021 - £1,848.3 million) is based on open market values, assessed in accordance with the RICS Valuation - Current Global Standards (incorporating the International Valuation Standards). The Group's USA investment properties were independently professionally valued at 31 March 2022 by Metropolitan Valuation Services, Inc., USA Certified General Real Estate Appraisers. The aggregate amount of £787.7 million (2021 - £726.0 million) is based on open market values, assessed in accordance with the Standards of Professional Appraisal Practice of the Appraisal Institute. Both valuers have recent experience in the location and category of the property being valued.

The aggregate professional valuations included in the above table have been reduced by an amount of £17.0 million (2021 - £18.2 million), relating to lease incentives included in Trade and other receivables and increased by an amount of £8.3 million (2021 - £8.3 million) relating to lease obligations.

#### ***Valuation techniques and key inputs***

We set out the valuation techniques used below and the key inputs used in these valuation techniques are set out in the tables over the page.

UK commercial property was valued using the income capitalisation method, requiring the application of the appropriate market based yield to net operating income. Adjustments are made to allow for voids when less than five years are left under the current tenancy and to reflect market rent at the point of lease expiry or rent review. Estimated fair value is sensitive to and would increase if either net operating income increased or estimated yield decreased.

UK residential property was valued using a sales valuation approach, derived from recent comparable transactions in the market, adjusted by applying discounts to reflect the status of occupation and condition. The largest discounts for the status of occupation were applied to those properties subject to registered tenancies, reflecting the relative difference in security of tenure, whilst the smallest discounts were applied to those properties subject to assured shorthold tenancies. The base discount for condition was maintained at 10% in 2022 reflecting current estimates of costs being incurred. It is estimated that an increase of one percentage point in this discount would result in a decrease of £9.5 million (2021 - £9.1 million) in the value of investment property. Estimated fair value is sensitive to and would increase if the sales values increased.

USA commercial and residential properties (excluding co-operative apartments) have been valued using the application of a capitalisation rate, based on recent arm's length transactions, to an assessment of stabilised net income, and for residential properties the values are cross-checked to recent comparative sales evidence. USA commercial and residential estimated fair value is sensitive to and would increase if either capitalisation rates decreased or estimated rental values increased.

USA co-operative residential apartments have been valued using the application of a discount rate, based on recent arm's length transactions, to an assessment of net income over the period to full reversion, cross-checked to recent comparative sales evidence. USA unsold co-operative residential apartments estimated fair value is sensitive to and would increase if either discount rates decreased, estimated rental values increased or estimated sales values increased.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2022	Fair Value £000	Rental value £ per sq ft			Equivalent Yield %		
		Low	Average	High	Low	Average	High
<b>UK Commercial</b>							
<b>Office Units</b>							
Greater London	310,407	8.0	54.1	68.5	4.6%	5.0%	12.8%
UK - South	34,723	2.0	16.5	52.7	5.0%	9.4%	20.1%
UK - North	8,917	3.4	11.3	17.5	7.0%	10.7%	14.0%
<b>Retail Units</b>							
Greater London	232,592	5.8	26.3	66.0	1.0%	6.7%	45.0%
UK - South	108,904	0.2	14.4	37.2	2.2%	8.4%	20.7%
UK - North	19,238	2.1	9.9	28.6	7.6%	11.4%	14.6%
<b>Industrial Units</b>							
All UK	70,727	2.0	9.9	33.1	3.5%	6.1%	10.1%
<b>Leisure and Service Units</b>							
All UK	266,001	4.4	19.2	46.2	5.1%	6.6%	15.0%
<b>Land and Development</b>							
All UK	1,510	-	-	-	-	-	-
Total UK Commercial	1,053,019						
<b>UK Residential</b>		<i>Sales value £ per sq ft</i>					
Greater London	785,382	337	803	1,541			
UK - South	91,502	133	334	505			
UK - North	4,564	116	189	241			
Total UK Residential	881,448						
Total UK	1,934,467						
<b>USA Commercial</b>		<i>Rental value £ per sq ft</i>			<i>Capitalisation rate %</i>		
Massachusetts, Philadelphia and New Jersey	104,270	8.4	30.1	35.6	5.0%	5.1%	6.8%
Total USA Commercial	104,270						
<b>USA Residential Apartments</b>		<i>Rental value £ per sq ft</i>			<i>Capitalisation rate %</i>		
New York City	163,026	8.4	11.4	26.3	3.8%	5.0%	5.3%
Florida	307,025	8.6	11.4	12.8	5.3%	5.4%	6.0%
Other States	128,625	10.9	12.2	14.2	4.3%	5.1%	5.5%
New York City - unsold co-operative	85,051	3.5	14.4	79.1	8.0%	9.6%	12.0%
Total USA Residential	683,727						
Total USA	787,997						
Total Group	2,722,464						
Less lease incentives	(17,020)						
	2,705,444						

2021	Fair Value £000	Rental value £ per sq ft			Equivalent Yield %		
		Low	Average	High	Low	Average	High
<b>UK Commercial</b>							
<b>Office Units</b>							
Greater London	293,536	7.8	56.9	76.7	3.8%	5.1%	12.9%
UK - South	35,386	2.0	13.7	47.2	2.6%	7.7%	19.9%
UK - North	8,454	3.4	11.0	17.0	7.3%	11.1%	14.0%
<b>Retail Units</b>							
Greater London	231,773	6.4	25.3	66.0	1.0%	6.8%	35.6%
UK - South	111,756	0.2	14.1	37.2	2.2%	8.4%	20.7%
UK - North	18,851	2.6	9.5	26.0	7.5%	11.6%	15.7%
<b>Industrial Units</b>							
All UK	54,735	2.0	10.0	33.1	4.3%	7.5%	27.3%
<b>Leisure and Service Units</b>							
All UK	239,082	4.4	19.2	46.2	5.3%	6.7%	14.9%
<b>Land and Development</b>							
All UK	1,401	-	-	-	-	-	-
<b>Total UK Commercial</b>	<b>994,974</b>						
<b>UK Residential</b>							
		Sales value £ per sq ft					
Greater London	768,903	311	794	1,499			
UK - South	88,538	133	331	541			
UK - North	3,979	112	187	246			
<b>Total UK Residential</b>	<b>861,420</b>						
<b>Total UK</b>	<b>1,856,394</b>						
<b>USA Commercial</b>							
		Rental value £ per sq ft			Capitalisation rate %		
Massachusetts, Philadelphia and New Jersey	96,793	9.4	27.8	32.1	5.0%	5.3%	7.5%
<b>Total USA Commercial</b>	<b>96,793</b>						
<b>USA Residential Apartments</b>							
		Rental value £ per sq ft			Capitalisation rate %		
New York City	154,300	8.3	10.7	25.0	4.0%	5.2%	5.5%
Florida	272,213	7.8	10.1	11.8	4.3%	5.6%	6.3%
Other States	116,254	10.6	11.4	13.5	4.8%	5.3%	5.5%
<b>New York City - unsold co-operative</b>							
	86,644	3.1	13.1	78.7	8.0%	9.5%	12.0%
<b>Total USA Residential</b>	<b>629,411</b>						
<b>Total USA</b>	<b>726,204</b>						
<b>Total Group</b>	<b>2,582,598</b>						
Less lease incentives	(18,153)						
	<b>2,564,445</b>						



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

There are inter-relationships between the groups of inputs as they are determined by market conditions. Movements in more than one input having the effect of increasing fair value could give rise to a magnifying effect on the valuation. Due to the number of properties included in the Group's valuations, it is impracticable to disclose the extent of the possible effects of each assumption and it is possible that outcomes that are different from the current assumptions could result in a material adjustment to the valuation.

As explained in Note 1(u), property valuations are inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions. These fair value measurements are unrealised and investment property is classified as Level 3 as defined by IFRS 13 *Fair Value Measurement*. There have been no transfers between the levels of fair value hierarchy during the year.

### ***Future minimum lease payments***

The present value of future minimum lease payments in relation to leasehold investment properties is £8.3 million at 31 March 2022 (2021 – £8.3 million). In determining the present value, the Group used the estimated incremental borrowing cost at the date of transition as the discount rate. In accordance with the accounting policy described in Note 1(h) following the introduction of IFRS 16 *Leases*, a right of use asset has been recognised in the property valuation.

### **Reconciliation between the total of future minimum lease payments and their present capital values**

	2022			2021		
	<i>Minimum lease payments</i>	<i>Interest on lease payments</i>	<i>Present value of lease liabilities</i>	<i>Minimum lease payments</i>	<i>Interest on lease payments</i>	<i>Present value of lease liabilities</i>
	£000	£000	£000	£000	£000	£000
Due within one year	538	(496)	42	537	(498)	39
Due within two to five years	2,151	(1,960)	191	2,147	(1,969)	178
Due after more than five years	42,116	(34,073)	8,043	42,646	(34,557)	8,089
	<b>44,805</b>	<b>(36,529)</b>	<b>8,276</b>	<b>45,330</b>	<b>(37,024)</b>	<b>8,306</b>

Capital commitments, arising from contractual obligations not yet invoiced or paid, for the purchase, construction, development or enhancement of investment properties, amounted to £3.7 million at 31 March 2022 (2021 – £9.8 million).

*10. Deferred Tax Assets and Liabilities*

	2022			2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	£000	£000	£000	£000	£000	£000
Investment property	-	(357,081)	(357,081)	-	(267,638)	(267,638)
Accelerated tax depreciation	-	(41,009)	(41,009)	-	(33,079)	(33,079)
Financial instruments	118	(1,135)	(1,017)	234	-	234
	118	(399,225)	(399,107)	234	(300,717)	(300,483)

The movement in deferred tax is as follows:

	<i>Accelerated</i>				
	<i>Investment</i>	<i>depreci-</i>	<i>instru-</i>	<i>Total</i>	<i>Total</i>
	<i>property</i>	<i>ation</i>	<i>ments</i>	<i>2022</i>	<i>2021</i>
	£000	£000	£000	£000	£000
Balance at 1 April	(267,638)	(33,079)	234	(300,483)	(297,136)
Recognised in income	(85,634)	(6,760)	(1,251)	(93,645)	(14,321)
Foreign exchange movements	(3,809)	(1,170)	-	(4,979)	10,974
Balance at 31 March	(357,081)	(41,009)	(1,017)	(399,107)	(300,483)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 11. Trade and Other Receivables

	2022	2021
	£000	£000

### Non-current assets

Loan to a related party	225,000	222,693
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Further detail is provided in Note 18.

	2022	2021
	£000	£000

### Current assets

Rent and service charges debtor	41,914	40,149
Rent and service charges accrued	3,237	2,961
Other debtors and prepayments	40,204	34,407
Derivative financial instruments	4,539	-
Mortgages granted repayable within one year	615	622
Corporation tax recoverable	305	5,004
	90,814	83,143

The ageing of rent and service charge receivables was as follows:

	2022	2021
	£000	£000
Not past due	25,615	26,171
Past due by less than one month	5,932	7,877
Past due by one to three months	3,631	2,221
Past due by three to six months	1,698	4,355
Past due by more than six months	19,912	14,663
	56,788	55,287
Impairment	(11,637)	(12,177)
Net	45,151	43,110

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2022	2021
	£000	£000
Balance at 1 April	12,177	7,844
Amounts written (back)/off	(1,080)	621
Movement in allowance for impairment	540	3,712
Balance at 31 March	11,637	12,177

*12. Cash and Cash Equivalents*

	2022 £000	2021 £000
Bank balances	157,286	131,901
Short term deposits	219	219
Cash and cash equivalents in the balance sheet and cash flow statement	157,505	132,120

Included within bank balances are tenants' deposits of £4,608,000 (2021 - £4,184,000) in the UK and £3,202,000 (2021 - £2,754,000) in the USA, which cannot be used in the ordinary course of business.

*13. Properties held for sale*

Properties held for sale are recorded at their fair value of £Nil (2021 - £8.45 million). The fair value is a Level 3 valuation as defined by IFRS 13 and is based on offers received discounted for risks of completion.

*14. Share Capital*

	Number	2022 £000	2021 £000
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	16,295,357	4,074	4,074
		4,074	4,074

The Company has one class of share, which carries no special rights or rights to fixed income. There are no restrictions on the transfer of these shares or restrictions on voting rights.

*15. Trade and Other Payables*

	2022 £000	2021 £000
Rent and service charges charged in advance	26,859	25,394
Other creditors and accruals	36,399	40,664
Derivative financial instruments	470	1,229
Lease obligations payable	42	39
	63,770	67,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued*16. Loans and Borrowings*

	2022 £000	2021 £000
<b>Non-current liabilities</b>		
Mortgages	405,208	385,196
Bank loans	338,901	340,597
	<b>744,109</b>	<b>725,793</b>
<b>Current liabilities</b>		
Mortgages	4,393	4,786
Bank loans	1,536	598
	<b>5,929</b>	<b>5,384</b>
<b>Total loans and borrowings</b>		
Mortgages	409,601	389,982
Bank loans	340,437	341,195
	<b>750,038</b>	<b>731,177</b>

All mortgages and bank loans are secured on specific investment properties owned by subsidiary undertakings.

The maturity profile of the Group's loans and borrowings was as follows:

	2022		2021	
	Bank loans £000	Mortgages £000	Total £000	Total £000
Due within one year	1,536	4,393	5,929	5,384
Due within one to two years	49,609	7,764	57,373	6,114
Due within two to five years	289,292	32,337	321,629	390,790
Due after more than five years	-	365,107	365,107	328,889
	<b>340,437</b>	<b>409,601</b>	<b>750,038</b>	<b>731,177</b>

The risk profile of the Group's loans and borrowings, after taking account of interest rate swaps, was as follows:

	2022			2021		
	Fixed £000	Floating £000	Total £000	Fixed £000	Floating £000	Total £000
Sterling	58,005	310,437	368,442	59,154	311,195	370,349
US Dollar	381,596	-	381,596	360,828	-	360,828
	<b>439,601</b>	<b>310,437</b>	<b>750,038</b>	<b>419,982</b>	<b>311,195</b>	<b>731,177</b>

During the year ended 31 March 2022, the reference rate on UK floating rate bank loans transitioned from LIBOR to an equivalent SONIA plus a credit adjustment spread. The Group's interest rate cap and swaps are set out in Note 17 on page 78. The interest rate profile of the Group's fixed rate mortgages was as follows:

	2022 £000	2021 £000
Per cent.		
2.5-3.0	45,729	43,776
3.0-3.5	127,974	92,093
3.5-4.0	119,074	139,667
4.0-4.5	44,283	42,659
4.5-5.0	44,535	42,632
5.0-5.5	12,846	13,132
5.5-6.0	6,809	6,925
6.0-6.5	8,351	9,098
	<b>409,601</b>	<b>389,982</b>

The weighted average rate and the weighted average term of the Group's fixed rate loans and borrowings (after taking account of interest rate swaps) were as follows:

	2022 %	2021 %	2022 Years	2021 Years
Sterling	3.60	3.65	8.1	9.1
US Dollar	3.65	3.70	7.7	8.3

## 17. Financial Assets and Liabilities

The Group's financial instruments are analysed into categories as follows:

	2022		2021	
	Carrying amount £000	Financing income/ (expense) £000	Carrying amount £000	Financing income/ (expense) £000
Current asset investments	132	-	131	-
Derivative financial instruments	4,069	5,298	(1,229)	1,434
Current assets at fair value through profit or loss	4,671	3,953	131	-
Current liabilities at fair value	(470)	1,345	(1,229)	1,434
Trade and other receivables	311,275	3,677	305,836	4,915
Cash and cash equivalents	157,505	-	132,120	56
Current assets at amortised cost	468,780	3,677	437,956	4,971
Trade and other payables	(63,258)	(280)	(66,058)	(493)
Lease obligations payable	(8,276)	(499)	(8,306)	(502)
Floating rate loans and borrowings	(340,437)	(9,099)	(341,195)	(7,484)
Fixed rate loans and borrowings	(409,601)	(16,529)	(389,982)	(15,572)
Current and non-current liabilities at amortised cost	(821,572)	(26,407)	(805,541)	(24,051)
Total financial instruments	(348,591)	(17,432)	(368,683)	(17,646)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

The finance income of £5,298,000 (2021 – finance income £1,434,000) relating to derivative financial instruments is stated net of £113,000 expense (2021 – £70,000) relating to credit risk movements.

### ***Fair values of financial instruments***

With the exception of fixed rate loans and borrowings, the Group's financial instruments are shown in the table above at fair value. Fixed rate loans and borrowings are stated at amortised cost as shown in the table above and as explained in Note 1(t). The fair value of fixed rate loans and borrowings was £401,982,000 (2021 – £429,286,000). At both the current and preceding year end there were no non-recurring fair value measurements.

The Group does not hedge account and all its interest rate swaps and caps are initially recognised, and subsequently recorded, at fair value, with any movement being recorded in the consolidated income statement. The fair values of all interest rate swaps, caps and fixed rate loans and borrowings are determined by reference to observable inputs that are classified as Level 2 in the fair value hierarchy set out in IFRS 13 *Fair Value Measurement*. Fair values have been determined by discounting expected future cash flows using market interest rates and yield curves over the remaining term of the instrument, as adjusted to reflect the credit risk attributable to the Group and, where relevant, its counterparty.

### ***Financial instrument risk management***

In common with all businesses, the Group is exposed to the following types of risk which arise from its use of financial instruments:

- Credit risk      • Liquidity risk      • Market risk

This note presents information about the nature of the Group's exposure to such risks, its objectives, policies and processes for measuring and managing risk and the Group's management of capital. Reference to disclosures given elsewhere in the financial statements is included as appropriate.

The Board has overall responsibility for determining the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, has delegated to the finance function the authority for designing and operating processes that ensure the effective implementation of those objectives. The overall objectives of the Board are to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

### ***Credit risk***

The Group's exposure to credit risk arises from the potential financial loss if a tenant or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables from tenants and from a loan made to a connected company.

### ***Trade receivables***

The majority of the Group's rental income is demanded quarterly in advance and demands are sent out prior to the due date, although the Group did agree to some temporary variations to this for a small number of commercial tenants during the height of the Covid-19 pandemic. Management monitors arrears continually and prompt action is taken to address potential defaults as appropriate. The credit worthiness of each tenant is assessed prior to the agreement of the lease. Where appropriate, collateral is required by the Group to support lease obligations. In many cases this takes the form of a tenant security deposit but also includes parent company guarantees, bank or other guarantees where appropriate. Provision is made based upon an expected credit loss model, with full provision for impairment usually being made where a tenant is in arrears for more than a year. Details of the Group's trade receivables and the extent of impairment provisions against them are set out in Note 11.

Due to the large number of tenants across various sectors and geographical locations, the Board does not consider there to be a significant concentration of credit risk.

#### *Other receivables*

Included in other debtors and prepayments in Note 11 is a material loan made to a connected company which is wholly controlled by the Freshwater family. The risk of default is considered remote.

#### *Cash and derivative financial instruments*

The credit rating of counterparties to financial instruments is kept under review. The Group's interest rate swaps are currently out of the money; consequently, counterparty risk on swaps does not represent a major risk at the current time. The Group's interest rate caps are with major financial institutions and are linked to borrowings provided to the Group by the same financial institutions. The counterparty risk on cash and short term deposits is managed by limiting the aggregate exposure to any institution by reference to their credit rating. Such balances are generally placed with major financial institutions where credit risk is not considered significant.

#### *Maximum exposure*

The aggregate carrying amounts of the Group's financial assets, which are stated net of impairment provisions, represents the Group's maximum exposure to credit risk, before taking into account the value of the tenant security deposits held and other collateral.

#### *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due and arises from the Group's management of its working capital and the finance charges and amortisation of its loans and borrowings.

The Group's policy is to seek to maintain cash balances to meet all short and medium term requirements. The Group has a low level of gearing relative to the property investment sector as a whole and has long standing relationships with many leading banks and financial institutions from which the Board expect to be able to raise further funds if required. At 31 March 2022, gearing was 23.6% (2021 - 24.3%) (see note 23). Cash and short-term deposits at 31 March 2022 were £157.5 million (2021 - £132.1 million) and £5.9 million of loans and borrowings were repayable within one year (2021 - £5.4 million). In addition, at the same date, the Group had undrawn committed facilities of £55.0 million (2021 - £55.0 million), which expire in 2024.

The maturity analysis of the undiscounted cash flows arising from the Group's financial liabilities at 31 March 2022 was as follows:

		2022				
		Aggregate	Due	Due	Due	Due after
	Carrying	undiscounted	within	within	within	more than
	amount	cash flows	one year	1-2 years	2-5 years	5 years
	£000	£000	£000	£000	£000	£000
Bank loans	340,437	340,437	1,536	49,609	289,292	-
Mortgages	409,601	409,601	4,393	7,764	32,337	365,107
Interest	-	113,241	23,760	23,494	50,807	15,180
Interest rate swaps	470	2,855	455	455	1,278	667
Lease obligations payable	8,276	44,805	538	538	1,613	42,116
Trade and other payables	63,258	63,258	63,258	-	-	-
	822,042	974,197	93,940	81,860	375,327	423,070



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	<i>Carrying amount £000</i>	<i>Aggregate undiscounted cash flows £000</i>	2021			
			<i>Due within one year £000</i>	<i>Due within 1-2 years £000</i>	<i>Due within 2-5 years £000</i>	<i>Due after more than 5 years £000</i>
Bank loans	341,195	341,195	598	598	339,999	-
Mortgages	389,982	389,982	4,786	5,516	50,791	328,889
Interest	-	142,825	22,148	21,598	52,917	46,162
Interest rate swaps	1,815	3,387	466	466	1,362	1,093
Lease obligations payable	8,306	45,330	537	537	1,610	42,646
Trade and other payables	66,058	66,058	66,058	-	-	-
	807,356	988,777	94,593	28,715	446,679	418,790

## Market risk

Market risk arises mainly from the impact that changes in interest rates might have on the cost of Group borrowing and the impact that changes in the US dollar/sterling rate of exchange might have on the Group's recognition of its USA net assets.

## Interest rates

The Group seeks to reduce the interest rate risk by fixing rates on a majority of its loans and borrowings, whilst maintaining some loans at floating rates in order to retain flexibility in relation to short term interest rates. Interest rates are fixed either through the use of fixed rate mortgage finance or through interest rate swaps. On the £225 million borrowing, the Group capped its exposure to interest rate movements by entering into £225 million of 0.5% interest caps with a reducing notional. The Group does not speculate in treasury products but uses these only to limit exposure to potential interest rate fluctuations. The interest rate profile of the Group's loans and borrowings is set out in Note 16.

It is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £3.1 million per annum, on the basis of the floating rate debt outstanding at 31 March 2022, after taking account of the interest swaps and caps in place.

There also exists a risk to the income statement arising from the recognition and re-measurement of interest rate swaps at fair value. It is estimated that a general increase of one percentage point in interest rates would give rise to a reduction in fair value of interest rate swaps outstanding at 31 March 2022 of £2.1 million, together with a corresponding increase in the Group's profit before taxation.

## Derivative financial instruments

The derivative financial instruments held by the Group at the year end were as follows:

	<i>Class</i>	<i>Contracted rate</i>		<i>Notional principal</i>		<i>Fair value</i>	
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>%</i>	<i>%</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Maturing within 2 - 5 years	Cap	0.5	0.5	175,000	225,000	4,539	586
Maturing after 5 years	Swap	1.6	1.6	30,000	30,000	(470)	(1,815)
				205,000	255,000	4,069	(1,229)

## Foreign exchange rates

The Group seeks to reduce its exposure to foreign currency risk in relation to its USA net assets by funding its USA investment property with US dollar denominated loans and borrowings. As the Group's investment in USA assets are held for the long term and funds are not usually returned to

the UK, the Group's policy is not to hedge its residual exposure. Management monitors exchange rates on a regular basis and elects to transfer funds only when the rate is favourable to do so.

It is estimated that a ten percentage point decrease in the value of the US dollar against sterling would result in a decrease in the sterling value of the Group's USA net assets of £31.9 million.

### **Capital management**

The capital structure of the Group consists of equity attributable to equity holders of the parent together with net debt. This is kept under constant review to ensure the Group has sufficient capital to fund its operations and that the Group's strategy of low gearing is maintained. The Group seeks to maintain a balance between longer-term finance appropriate to fund its long-term investment property holding strategy and medium-term finance which provides a more cost effective source of finance. Equity comprises issued share capital, reserves and retained earnings as set out in the consolidated statement of changes in equity. Net debt comprises a mix of fixed rate mortgages and shorter-term bank loans as set out in Note 16 and cash and short term deposits as set out in Note 12. All loans and borrowings are secured against investment property and the bank loans are drawn against committed facilities.

## **18. Related Party Transactions**

Day-to-day management of the Group's properties and its operations in the UK is mainly carried out by Highdorn Co. Limited ("Highdorn") and by Freshwater Property Management Limited ("FPM"). Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies. They have no beneficial interest in the share capital of Highdorn. Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis are Directors of the parent company of FPM but have no beneficial interest in either company. Mr C B Freshwater and Mr R E Freshwater have a beneficial interest in a trust holding interests in shares in Highdorn.

In their capacity as property managing agents, Highdorn and FPM collect rents and incur direct property expenses on behalf of the Group. Additionally Highdorn leases offices, from which it operates, from the Group. At 31 March 2022, the aggregate net amounts due to the Group from Highdorn and FPM was £12.2 million (2021 - £5.4 million due to the Group from Highdorn and FPM). These amounts are not secured and are payable on demand. No guarantees have been given or received and the amounts are settled in cash.

Included in the balance above are amounts paid and payable by the Group for the provision of property and other management services to Highdorn and FPM, which were as follows:

	2022 £000	2021 £000
Balance due to related party managing agents at 1 April	2,129	2,510
Charged during the year	5,089	4,424
Paid during the year	(4,062)	(4,805)
Balance due to related party managing agents at 31 March	3,156	2,129

Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis are trustees of two charities that own 6.3% of the share capital of the Company. These charities have received dividend payments in the year of £1,156,923 (2021 - £1,113,786). The Directors' interests in the Company and the principal shareholders are described on pages 37 and 38. The Board considers that the Directors are the key management personnel of the Group and their remuneration is disclosed on pages 44 and 45.

In June 2020 the Group lent £225,000,000 to Dock Newco Limited at a commercial arms' length interest rate of LIBOR plus 1.85%. Following the transition from LIBOR to SONIA on UK floating rate

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

bank loans during the year, the interest rate is now calculated with reference to SONIA plus a credit adjustment spread. There has been no material gain or loss of this change to the Group. The loan is due for repayment on 21 February 2025. Mr B S E Freshwater and Mr S I Freshwater are directors of Dock Newco Limited but have no beneficial interest in the share capital of the company or of its ultimate holding company. Mr C B Freshwater and Mr R E Freshwater are included within a wide class of potential beneficiaries of trusts that hold shares in the ultimate parent of Dock Newco Limited. Dock Newco Limited owns 20.5% of the share capital of Daejan Holdings Limited. During the year the Group charged Dock Newco Limited £3,325,000 in interest and associated fees (included in other finance income, note 5) and as at the end of the year Dock Newco Limited owed the Group £225 million (included in non-current assets, note 11).

### 19. *Contingent Liabilities*

The Group is from time to time party to legal actions arising in the ordinary course of business. The Directors are not aware of any current actions which could have a material adverse effect on the financial position of the Group.

### 20. *Operating Lease Agreements*

The Group earns rental income by leasing its investment properties to tenants under operating leases which vary in terms and provisions between type of property and type of tenure. Leases providing for contingent rents are rare within the Group's property portfolio and no amounts for contingent rents are included in rental income for the year (2021 - £Nil).

At the balance sheet date, future minimum lease payments receivable by the Group under operating leases were as follows:

	2022	2021
	£000	£000
Due within one year	61,726	89,411
Due within one to two years	51,066	60,223
Due within two to five years	111,432	133,406
Due after more than five years	313,959	359,763
	<b>538,183</b>	<b>642,803</b>

Many of the Group's residential properties are let under assured shorthold tenancies which typically are for initial terms of 12 months or less, whereafter they are cancellable at short notice. The Group's experience is that a significant proportion of such tenancies are held over after the expiry of their initial term.

*21. Notes to the Consolidated Statement of Cash Flows***Cash generated from operations**

	<i>2022</i>	<i>2021</i>
	<b>£000</b>	<b>£000</b>
<b>Net operating profit before net financing costs</b>	<b>177,091</b>	89,620
<b>Adjusted for:</b>		
Net valuation gain on investment property (Note 9)	<b>(101,072)</b>	(33,817)
Net gain on sale of investment property	<b>(15,344)</b>	(3,248)
Cash flows from operations before changes in working capital	60,675	52,555
<b>Changes in working capital:</b>		
Change in trade and other receivables	<b>(6,787)</b>	3,476
Change in trade and other payables	<b>(7,275)</b>	3,164
Working capital movement	(14,062)	6,640
Cash generated from continuing operations	46,613	59,195

**Change in liabilities during the year relating to financing activities**

	<i>2022</i>	<i>2021</i>
	<b>£000</b>	<b>£000</b>
Total loans and borrowings at 1 April (Note 16)	<b>731,177</b>	490,927
Repayment of bank loans	<b>(758)</b>	(1,505)
New bank loans in year	–	221,720
Repayment of mortgages	<b>(53,433)</b>	(40,024)
New mortgages	<b>57,096</b>	92,816
Foreign exchange impact	<b>15,956</b>	(32,757)
Total loans and borrowings at 31 March (Note 16)	<b>750,038</b>	731,177

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 22. *Subsidiary Undertakings*

At 31 March 2022, except where indicated, the following were indirect subsidiaries of the Company, where the Company's direct and indirect interest is in ordinary shares. All were wholly owned, except as indicated, and are included in the consolidated financial statements.

#### ***Incorporated in Great Britain and registered in England and Wales***

***Registered office: Freshwater House, 158 – 162 Shaftesbury Avenue, London WC2H 8HR***

Agecroft Estates Limited	Daejan (Dartford) Limited
Alsam Limited	Daejan (Design & Build) Limited*
Astral Estates (London) Limited	Daejan (Durham) Limited
Bagnight Limited*	Daejan (FH 1998) Limited
Bampton (B&B) Limited	Daejan (FHNV 1998) Limited
Bampton (Redbridge) Limited	Daejan (Hanger Hill) Limited*
Bampton Holdings Limited	Daejan (High Wycombe) Limited
Bampton Homes Limited	Daejan (Kingston) Limited
Bampton Management Limited	Daejan (Lauderdale) Limited
Bampton Property Group Limited (The)	Daejan (Norwich) Limited
Brickfield Properties Limited	Daejan (NUNV) Limited
Chilon Investment Co. Limited	Daejan (NUV) Limited
City and Country (Londonderry House) Limited	Daejan (PF) Limited
City and Country Properties (Birmingham) Limited	Daejan (Reading) Limited
City and Country Properties (Camberley) Limited	Daejan (Taunton) Limited
City and Country Properties (Estates) Limited	Daejan (UK) Limited*
City and Country Properties (Gillingham) Limited	Daejan (US) Limited*
City and Country Properties (Leeds) Limited	Daejan (Warwick) Limited
City and Country Properties (Midlands) Limited	Daejan (Watford) Limited
City and Country Properties Limited	Daejan (Wimbledon) Limited*
Coindragon Limited*	Daejan (Worcester) Limited
Coin eagle Limited*	Daejan Commercial Properties Limited
Coinface Limited	Daejan Developments Limited
Coinmad Limited*	Daejan Enterprises Limited
Coinmoat Limited*	Daejan Estates Limited
Coinorbit Limited*	Daejan Investments (Grove Hall) Limited
Coinpilot Limited*	Daejan Investments (Harrow) Limited
Coinreach Limited*	Daejan Investments (Park) Limited
Coinsmart Limited*	Daejan Investments Limited
Coinspear Limited*	Daejan Metropolitan Investments Limited*
Coinsun Limited	Daejan Properties Limited
Consbrix Developments Limited	Daejan Retail Properties Limited
Cromlech Property Co. Limited (The)	Daejan Securities Limited*
Crozera Limited	Daejan Services Limited*
Daejan (Brentford) Limited*	Daejan Traders Limited*
Daejan (Brighton) Limited	Daneryn Limited*
Daejan (Cambridge) Limited	Derlingrange Limited*
Daejan (Cardiff) Limited	Ealux Limited
Daejan (Care Homes) Limited*	Endell Developments Limited*
	Endell Properties Limited*
	Endell Real Estate Limited*
	Esslock Limited

\* Directly owned

Fifth Charles Investments Limited\*  
 First Charles Investments Limited\*  
 Foredale Limited\*  
 Gertsbrix Developments Limited  
 Grapesal Limited\*  
 Halliard Property Co. Limited (The)  
 Hampstead Way Investments Limited  
 Inputstock Limited  
 Inputstripe Limited  
 Insworth Investments Limited\*  
 Johnsbrix Developments Limited  
 Kingforge Limited\*  
 Kintsilk Investments Limited  
 Lawnstamp Limited  
 Lesbrix Developments Limited  
 Limebridge Co. Limited  
 Lookstate Limited

Lyme & Farrar Limited  
 Marfred Limited  
 Mineral and General Investments Limited  
 Modboon Limited\*  
 Mont Investments Limited  
 Offerworld Limited  
 Pegasus Investment Company Limited  
 Ronend Properties Limited\*  
 Rosebel Holdings Limited  
 Seaglen Investments Limited  
 Semlark Limited\*  
 Simlock Limited  
 St. Leonards Properties Limited  
 Strand Palace Hotel Limited\*  
 Summerseas Investment Co. Limited  
 Wisebourne Limited\*  
 Workvideo Limited\*

\* Directly owned

***Incorporated in Guernsey***

***Registered office: Bordage House, Le Bordage, St Peter Port, Guernsey GY1 1BU***

Daejan Financing Limited	Eight Dials Limited
Three Dials Limited	Nine Dials Limited
Four Dials Limited	Ten Dials Limited

***Incorporated in the Isle of Man***

***Registered office: 8 St George's Street Douglas IM1 1AH***

Temple Investments Limited

***Incorporated in Curaçao***

***Registered office: Schottegatweg Oost 44, Curaçao***

Daejan Holdings N.V.

***Incorporated in the USA***

***Registered office, except as noted in (i) to (vii) at end of this note: 1651 Coney Island***

***Avenue, Brooklyn, NY 11230***

22-04 Collier Avenue LLC	Ace 2181 Barnes LLC
77NW LLC	Ace 2181 Wallace LLC
200 Portland LLC	CM Bucks Landing 120 LLC
260 Realty Associates**	Daejan 1010 Regency LLC <sup>(i)</sup>
427 West 51st Street Owners Corp.	Daejan 11 E Chase LLC <sup>(i)</sup>
611 West 158th Street Corp.	Daejan 77 Inc. <sup>(vii)</sup>
670 River Realty Corp.	Daejan 3120 Court LLC <sup>(i)</sup>
730 GC Realty Corp.	Daejan Astoria LLC
1750 GC LLC	Daejan Baltimore Inc.
3380 Nostrand LLC	Daejan Chesterfield LLC <sup>(ii)</sup>
Ace 2160 Wallace LLC	Daejan Crossroads LLC
Ace 2180 Wallace LLC	Daejan Enterprises Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Daejan Fisherman's Landing LLC <sup>(iii)</sup>	Ivory 1166 G.C. Realty Corp.
Daejan Greenwich Commons LLC <sup>(iv)</sup>	Ivory 3045 Grand Concourse Corp.
Daejan Hidden Palms LLC <sup>(iii)</sup>	Ivory 3591 Bainbridge Corp.
Daejan Holdings (U.S.) Inc. <sup>*(v)</sup>	Ivory 3780 Bronx Blvd. Corp.
Daejan Inverrary LLC	Ivory 3908 Bronx Realty Corp.
Daejan Lauderhill Inc.	Ivory 780 Grand Corp.
Daejan Lycoming LLC, Inc.	Ivory 790 G.C. Corp.
Daejan N.Y. Ltd.	Madison Oaks Apartment Homes LLC <sup>(vi)</sup>
Daejan Oak Manor, Inc. <sup>(v)</sup>	New Franconia Associates***
Daejan Portland, Inc.	Newport Colony Apartment Homes LLC <sup>(vi)</sup>
DJN Crossroad, Inc.	Sevens G.C. Realty Corp.
DJN Greenwich Inc.	Tampa Sunscape Inc.
DJN Raritan LLC	Waterford Park Apartment Homes LLC <sup>(vi)</sup>
Ivory 1150 Concourse Corp.	

Registered offices: (i) 6800 Liberty Road, Baltimore, MD 21207; (ii) 4200 Inverrary Blvd, Lauderhill, FL 33319; (iii) 14555 Bruce D. Downs Blvd, Tampa, FL 33613; (iv) 14608 43<sup>rd</sup> Street, Tampa, FL 33813; (v) 5105 Mission Hills Ave, Tampa, FL 33617; (vi) 1105 North Market Street, Wilmington, NY 19899; (vii) 65 Franklin Street, Suite 401, Boston, MA 02110.

\* Directly owned

\*\* 75% owned

\*\*\* 70% owned

### 23. *Alternative Performance Measures*

The directors use a number of alternative performance measures within this Annual Report to provide more relevant explanations of the Group's financial position and performance. Provided below are explanations for each such measure and reconciliations to relevant IFRS balances.

#### Underlying profit before tax

The directors consider "underlying profit before tax" which excludes unrealised changes in the valuation of property and certain financial instruments to be a useful measure as it represents the element of our results that has actually been realised. It represents the performance of our core rental business together with disposal profits which tend to fluctuate from year to year. It is our underlying profit before tax which generates the cash we use to re-invest in the business and to pay dividends and taxes.

	2022 £000	2021 £000
Profit before tax per the income statement	159,659	71,974
Deduct property valuation gains	(101,072)	(33,817)
Deduct financial instruments fair value gains	(5,298)	(1,434)
Add back realised valuation gains on property disposals	569	1,118
<b>Underlying profit before tax</b>	<b>53,858</b>	<b>37,841</b>

#### Shareholders' funds per share

The directors consider that shareholders' funds per share is a useful measure as it reflects the fair value of the investment property we hold and is a common measure used across the property industry. It is calculated by dividing the total equity attributable to equity holders of the parent by the weighted average number of shares in issue during the period.

	2022	2021
Total equity attributable to equity holders of the parent (£000)	1,955,560	1,901,176
Weighted average number of shares in issue during the year	16,295,357	16,295,357
<b>Shareholders funds per share (£)</b>	<b>120.01</b>	<b>116.67</b>

**Gearing**

The Group considers gearing to be the ratio of our loans and borrowings to the value of our total assets. As the majority of our loans and borrowings are secured on our investment property assets, our gearing ratio is useful as it indicates our capacity to borrow further to invest in our business and also shows the level of headroom we have in case of adverse property valuation movements.

	2022	2022	2022	2021	2021	2021
	UK	USA	Total	UK	USA	Total
	£000	£000	£000	£000	£000	£000
Loans and borrowing (Note 16)	368,442	381,596	750,038	370,349	360,828	731,177
Total assets	2,276,317	902,696	3,179,013	2,188,246	822,970	3,011,216
Gearing	16.2%	42.3%	23.6%	16.9%	43.8%	24.3%

**Valuation of investment properties**

Valuation gains or losses on investment properties is a key metric for property companies and is presented on the face of the income statement. To assist a reader's understanding, we also express the net revaluation gains or losses recognised during the year as a percentage of the value of investment property at the start of the year. Where a property's value is not denominated in sterling, such as those in the USA, the opening value is first adjusted for the impact of movements in exchange rates during the year.

	2022	2022	2022	2021	2021	2021
	UK	USA	Total	UK	USA	Total
	£000	£000	£000	£000	£000	£000
Carrying value at 1 April (Note 9)	1,841,368	723,077	2,564,445	1,826,641	697,619	2,524,260
Foreign exchange movements	-	32,073	32,073	-	(70,491)	(70,491)
Value at 1 April at year end exchange rate	1,841,368	755,150	2,596,518	1,826,641	627,128	2,453,769
Acquisitions	138	-	138	581	67,480	68,061
Additions to existing properties	9,797	5,052	14,849	6,205	3,842	10,047
Disposals	(4,807)	(2,326)	(7,133)	(269)	(980)	(1,249)
Revaluation	74,124	26,948	101,072	8,210	25,607	33,817
Carrying value at 31 March (Note 9)	1,920,620	784,824	2,705,444	1,841,368	723,077	2,564,445
Valuation gain percentage	4.0%	3.6%	3.9%	0.4%	4.1%	1.4%

**24. Ultimate controlling party**

The Freshwater Family are considered to be the ultimate controlling party by virtue of all shares in issue, with the exception of the 763 shares beneficially owned by Mr D Davis, being held by or on behalf of themselves, other members of their families and their charitable interests.

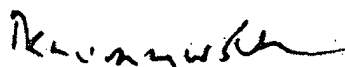


## COMPANY BALANCE SHEET

as at 31 March 2022

	Notes	2022	2021
		£000	£000
Fixed assets			
Investment in subsidiary undertakings	4	1,198,822	1,198,266
Deferred tax assets		118	345
Loan to a related party		225,000	222,693
		1,423,940	1,421,304
Current assets			
Debtors		10,086	10,912
Cash at bank		44,656	40,107
		54,742	51,019
Creditors: amounts falling due within one year	5	(255,938)	(229,658)
Net current liabilities		(201,196)	(178,639)
Total assets less current liabilities		1,222,744	1,242,665
Creditors: amounts falling due after more than one year	6	(62,363)	(62,585)
Net assets		1,160,381	1,180,080
Capital and reserves			
Called up share capital	7	4,074	4,074
Share premium account		555	555
Other reserves		893	893
Profit and loss account		1,154,859	1,174,558
Equity shareholders' funds		1,160,381	1,180,080

The financial statements of Daejan Holdings Limited (Company number 305105) on pages 86 to 90 were approved by the Board of Directors on 13 September 2022 and were signed on its behalf by:



B S E Freshwater  
Director

## COMPANY STATEMENT OF CHANGES IN EQUITY

<i>for the year ended 31 March 2022</i>	<i>Issued share capital</i>	<i>Share premium account</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Equity shareholders' funds</i>
	£000	£000	£000	£000	£000
Balance at 1 April 2020	4,074	555	893	906,031	911,553
Profit for the year	-	-	-	286,289	286,289
Dividends to equity shareholders	-	-	-	(17,762)	(17,762)
Balance at 1 April 2021	4,074	555	893	1,174,558	1,180,080
Loss for the year	-	-	-	(1,448)	(1,448)
Dividends to equity shareholders	-	-	-	(18,251)	(18,251)
Balance at 31 March 2022	4,074	555	893	1,154,859	1,160,381

The accompanying notes form an integral part of the Company financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### (a) Basis of preparation

The Company financial statements have been prepared in accordance with Financial Reporting Standard 102, *The Financial Reporting Standards applicable in the UK and Republic of Ireland* ("FRS 102"). The Company has adopted the following disclosure exemptions permitted by FRS 102 1.12 (b), (c) and (e): The requirement to present a statement of cash flows; the requirement to disclose the terms and conditions of long term debt; and the requirement to disclose key management personnel compensation in total.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented. The Company's loss for the year after taxation was £1,448,000 (2021 – profit of £286,289,000).

#### (b) Investments in subsidiary undertakings

Investments in subsidiary undertakings comprise shares in, and loans to, those undertakings and are stated at cost less any provision for impairment.

#### (c) Financial instruments

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

#### Basic financial instruments

##### (i) Trade and other debtors and trade and other creditors

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

##### (ii) Loans and borrowings

Loans and borrowings are initially recognised at fair value and are subsequently recorded at amortised cost. Transaction costs are deducted from the fair value at recognition and any differences between the amount initially recognised and the redemption value is recognised in the income statement over the period of the borrowings on an effective interest rate basis.

#### Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational and financing activities. As these derivatives do not qualify for hedge accounting, they are accounted for as trading instruments. Derivative financial instruments are initially recognised, and subsequently recorded, at fair value. The fair value of interest rate swaps is the estimated amount that the Company would recover or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the credit worthiness of the swap counterparties. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

**(d) Deferred tax**

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expenses are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

**(e) Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction and gains and losses on translation are included in the profit and loss account. Debtors and creditors are retranslated using the rate of exchange at the balance sheet date.

**2. Loss on Ordinary Activities before Taxation**

The Company has no employees other than its Directors and their remuneration is set out on pages 44 and 45 of the Group accounts. The parent company audit fee is disclosed on page 64 of the Group accounts.

**3. Dividends**

	2022 £000	2021 £000
Amounts recognised as distributions to equity holders in the year:		
First interim dividend for the year ended 31 March 2021, approved 22 December 2020 @ 74p per share	-	12,059
Second interim dividend for the year ended 31 March 2021, approved 19 March 2021 @ 35p per share	-	5,703
First interim dividend for the year ended 31 March 2022, approved 18 August 2021 @ 56p per share	9,125	-
Second interim dividend for the year ended 31 March 2022, approved 7 March 2022 @ 56p per share	9,126	-
	<b>18,251</b>	<b>17,762</b>

**4. Investments in Subsidiary Undertakings**

	Shares at cost £000	Loans £000	Total £000
At 1 April 2021	992,205	206,061	1,198,266
Loans	-	556	556
<b>At 31 March 2022</b>	<b>992,205</b>	<b>206,617</b>	<b>1,198,822</b>

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

### 5. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Bank loans and overdrafts	136	162
Amounts owed to subsidiary undertakings	254,689	220,574
Other creditors and accruals	643	7,107
Derivative financial instruments	470	1,815
	255,938	229,658

### 6. Creditors: Amounts falling due after more than one year

	2022	2021
	£000	£000
Secured bank loans	62,363	62,585

### 7. Share Capital

		2022	2021
	Number	£000	£000
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	16,295,357	4,074	4,074

### 8. Profit and Loss Reserve

Some years ago, the Company sold its shareholdings in certain subsidiary undertakings to intermediate holding companies. As a result of that transaction, the parent company transferred £645.1 million of revaluation gains relating to these investments to the profit and loss reserve. As the transfer of these revaluation gains arose as a result of a sale of assets within the Group, it is unlikely that the Company will seek to treat the profit and loss reserve thus arising as distributable.

Under the articles of association of certain Group investment undertakings, realised capital surpluses are not available for distribution as dividends.

## GROUP FIVE-YEAR RECORD (UNAUDITED)

	2018	2019	2020	2021	2022
	£000	£000	£000	£000	£000
Total rental and related income	142,885	156,161	166,143	162,457	168,386
Property operating expenses	(76,407)	(79,580)	(91,094)	(91,659)	(89,840)
Net rental and related income	66,478	76,581	75,049	70,798	78,546
Profit on disposal of investment properties	11,893	12,203	15,775	3,248	15,344
Net valuation gains/(losses) on investment properties	146,438	83,928	(90,494)	33,817	101,072
Administrative expenses					
Recurring	(13,263)	(13,904)	(14,254)	(14,984)	(17,871)
Non-recurring arising from Scheme of Arrangement	-	-	-	(3,259)	-
Total administrative expenses	(13,263)	(13,904)	(14,254)	(18,243)	(17,871)
Net operating profit/(loss) before net financing costs	211,546	158,808	(13,924)	89,620	177,091
Net financing expense	(10,284)	(20,976)	(19,227)	(17,646)	(17,432)
Profit/(loss) before taxation	201,262	137,832	(33,151)	71,974	159,659
Income tax	1,696	(17,853)	(13,441)	(17,518)	(102,011)
Profit/(loss) for the year	202,958	119,979	(46,592)	54,456	57,648
Earnings/(loss) per share	£12.45	£7.36	£(2.92)	£3.35	£3.53
Total assets	2,535,005	2,766,503	2,756,597	3,011,216	3,179,013
Equity shareholders' funds	1,812,993	1,940,521	1,897,168	1,902,102	1,956,499
Equity shareholders' funds per share	£111.25	£119.07	£116.35	£116.67	£120.01

## DIRECTORS AND ADVISERS

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### ***Directors***

B S E Freshwater  
(Chairman and Managing Director)  
S I Freshwater  
D Davis (non-executive)  
A M Freshwater (non-executive)  
C B Freshwater (non-executive)  
R E Freshwater (non-executive)

### ***Secretaries***

M D E Bale  
J S Southgate

### ***Registered & Head Office***

Freshwater House,  
158-162 Shaftesbury Avenue,  
London WC2H 8HR  
Registered in England  
Co. No. 305105

### ***Auditor***

KPMG LLP  
15 Canada Square,  
London E14 5GL

### ***Consulting Accountants***

Cohen Arnold  
New Burlington House,  
1075 Finchley Road,  
London NW11 0PJ

### ***Principal Bankers***

Barclays Bank PLC  
Lloyds Banking Group PLC  
NatWest Group PLC

## NOTES

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## NOTES

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## NOTES

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Opposite page: Bickenhall Mansions, Marylebone, London W1; back cover: Hidden Palms, Tampa, Florida, USA.

Design, art direction and UK and New York photography by Roger Watt  
sterling 175901