dAEJAN HOLDINGS LTD

Annual Report & Accounts

2021

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(formerly Daejan Holdings PLC)

Annual Report & Accounts

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CHAIRMAN'S INTRODUCTION

I am pleased to report on the year in which our transition to private company status was successfully accomplished. The shares were delisted in May 2020, the administrative burden of maintaining the listing had grown progressively in recent years and was out of all proportion to any benefit being derived therefrom.

All aspects of the operations and results for the year have been impacted by the Covid-19 pandemic and the measures taken by government in response.

The net profit before tax for the year was £72.0 million (2020 - £33.2 million loss). Shareholders' funds increased by 0.3% to £1,901.2 million (2020 - 2.3% decrease to £1,896.0 million).

Although our gross rental income is down somewhat I am pleased to report that our rent collections have held up well with 95% of billed rents collected in the UK and 97% in the USA.

In the UK the overall value of our portfolio has remained flat with falling values in commercial, retail and office property offset by an uplift in residential and a significant uplift on a hotel property resulting from marriage value following a merger of interests and expected improved commercial terms as an old lease approaches its end.

In the USA we have seen an overall uplift in values of 4.1% arising principally on our properties in Florida. There continued to be some small downward movements on our Manhattan properties following the rent controls introduced last year.

Although the circumstances of the year have limited the scope for the identification and completion of value enhancing developments within our portfolio or elsewhere we remain alert to new opportunities. In March this year we completed the acquisition for $87.6 million of Newport Colony, a 476 unit garden apartment complex in Casselberry, Florida.

In June 2020 a new £225 million facility was obtained from Barclays and NatWest banks as part of the financing for the new group structure.

Outlook

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

In the USA the significant Government stimulus is having a positive impact on the economy but Covid-19 infections are on an upward trajectory once again.

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

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

As ever my thanks must go to the staff who have dealt so well with the extra challenges which have arisen this year.

B S E Freshwater
Chairman

Cover and inside front cover: Oakwood Court, Holland Park, London W14. Contents page, above and opposite page: the recently completed Piano Apartments, St John's Hill, London SW11.

FINANCIAL HIGHLIGHTS

NET VALUATION GAIN

£33.8 million

2020: loss of £90.5 million

PROFIT BEFORE TAX

£72.0 million

2020: loss of £33.2 million

EARNINGS PER SHARE

£3.35

2020: loss of £2.92

SHAREHOLDERS' FUNDS

£1,901.2 million

2020: £1,896.0 million

SHAREHOLDERS' FUNDS PER SHARE

£116.67*

2020: £116.35*

GEARING

24.3%*

2020: 17.8%*

*Definitions of these alternative performance measures are included on pages 81 and 82.

STRATEGIC REPORT

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.

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

Opposite page and above: the recently completed Piano Apartments, St John's Hill, London SW11.

STRATEGIC REPORT continued

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 24.3% (2020 - 17.8%).

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 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

The economic outlook is dominated by the Covid-19 pandemic. The UK Government has recently started to dismantle various restrictions which had been put in place to prevent the spread of the disease and which had resulted in a dramatic slowdown in economic activity. It is too soon to tell if and when these steps will return the economy to pre-pandemic levels.

Within the general downturn there have been particularly sharp impacts on retail, leisure and travel sectors. It remains to be seen whether the current reluctance of people to visit shops and leisure premises is a temporary or a longer term trend. Many organisations have successfully introduced systems of home working with little or no loss of efficiency. If "working from home" becomes an established feature of business life, demand for office accommodation may reduce.

The UK is now fully detached from the European Economic Union (EEU) although trade relations have yet to get onto an even keel which creates an ongoing layer of uncertainty for UK business.

The Covid-19 pandemic in the USA had seemed largely to be under control with the economy benefiting from the substantial stimulus programme introduced following the election of President Biden. However infection rates are now rising once again.

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.

This page and opposite page: The Strand Palace Hotel, The Strand, London WC2.

STRATEGIC REPORT continued

We seek to mitigate and manage such risk by:

- Continuous monitoring of the economic outlook
- 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

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 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

Movements in currency rates of exchange

With 28% 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.

This page and opposite page: Africa House, Kingsway, London WC2.

STRATEGIC REPORT continued

The rise in the value of sterling relative to the US dollar in the financial year was 10% (2020 - 5% fall). This has had the effect of reducing the reported value of our USA net assets. The average exchange rate for the year rose by 3% (2020 - 3% fall) 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 loss of £31.7 million (2020 - gain of £20.6 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

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. If regulations introduced in the UK during the year as temporary measures which restrict the ability of landlords to recover unpaid rent by legal process remain in place then bad debt expense is likely to increase.

Similarly, 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 have been affected by the impact of the Covid-19 pandemic and could in future be adversely affected by the impact of 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:

- Developing a system of home working to ensure that the Group can continue to function despite the need for office closures

This page and opposite page: Africa House, Kingsway, London WC2.

- 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 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 on-line shopping which has accelerated during the Covid-19 pandemic means that the downward pressure on UK high street rental and capital values will continue. Parades of shops, an important part of our portfolio, have not 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: the recently completed Starlite Lodge, Greenford, Middlesex.

STRATEGIC REPORT continued

Analysis by property type

Analysis by location

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. In past years the increase in value of our UK portfolio has been almost entirely derived from the London area which has enjoyed a period of well publicised growth. A slowdown in the London market such as has occurred more recently will significantly reduce the net annual revaluation uplifts in the UK portfolio. In the USA, a substantial part of our portfolio is situated in New York which has in the past produced significant growth in capital values; last year the impact of additional rent controls and restrictions reversed this pattern.

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

This page and opposite page: Park West, London W2.

STRATEGIC REPORT continued

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.

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 new 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 2021. 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.

Properties in Manhattan, New York, USA. Above: 515-535 East 89th Street, right: The Franconia, 20 West 72nd Street, far right: 677 West End Avenue, opposite page: 611 West 158th Street.

STRATEGIC REPORT continued

The table below shows a summary of the valuation of our investment property at 31 March 2021:

	Valuation March 2021 £m	Valuation March 2020 £m
Commercial property		
UK	**995.0**	1,011.1
USA	**96.8**	107.8
Residential property		
UK	**861.4**	832.7
USA	**629.4**	593.9
Less lease incentives	**(18.2)**	(21.2)
Total	**2,564.4**	2,524.3

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:

	2021 £m	2020 £m
Opening valuation	**2,524.3**	2,532.5
Gross up of head lease liability	**–**	8.4
Opening valuation (restated)	**2,524.3**	2,540.9
New acquisitions	**68.1**	29.8
Additions to existing properties	**10.0**	18.1
Disposals	**(1.3)**	(4.7)
	2,601.1	2,584.1
Revaluation gain/(loss)	**33.8**	(90.5)
Foreign exchange (loss)/gain	**(70.5)**	39.1
Transfer to properties held for sale	**–**	(8.5)
Closing valuation	**2,564.4**	2,524.3

The overall valuation of our UK portfolio has remained flat with losses arising on retail and office property offset by a significant uplift on a property arising from expected improved commercial terms as an old lease approaches its end. Residential properties have shown a modest increase in values. We continue to obtain significant uplifts in value upon the completion of successful developments and rent reviews.

The overall increase in valuation of USA properties is 4.1% (2020 - 11.9% reduction). The increase mainly arises on our Florida properties offset by some small downward adjustments on our Manhattan properties following the rent controls introduced last year.

Acquisitions and Developments

In the UK the impact of the Covid-19 pandemic has restricted our ability to undertake development work. Our largest potential development project at Oxford Street, London W1 has been put on hold at the preparatory stage until the outlook clears.

The Piano Apartments, London SW11 were completed which created 35 flats. Work was commenced to create a new 24 flat block on the site of Baillie and Strathcona House which is due to complete in late 2021.

Opposite page and above: 30 Kensington Church Street, London W8.

STRATEGIC REPORT continued

Refurbishment work was completed on an office building in Great Marlborough Street, London and on the offices in Salusbury Road, London NW6 which were acquired last year.

In March 2021 we acquired an apartment complex in Casselberry, Florida for $87.6 comprising 476 units spread over 41 garden acres.

In the USA we undertook the refurbishment of our office property on St Paul's Street, Baltimore.

Results for the year

The Group recorded a profit before taxation for the year ended 31 March 2021 of £72.0 million (2020 - loss of £33.2 million). The result includes a net valuation gain of £33.8 million arising on investment properties (2020 - loss of £90.5 million).

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

	2021	2020
	£m	£m
Total rental and related income from investment property	**162.5**	166.1
Property operating expenses	**(91.7)**	(91.1)
Net rental and related income from investment property	**70.8**	75.0
Profit on disposals of investment property	**3.2**	15.8
Administrative expenses:		
Recurring	**(14.9)**	(14.3)
Non-recurring arising from scheme of arrangement	**(3.3)**	-
Net operating profit before net valuation movements	**55.8**	76.5
Net valuation gains/(losses) on investment property	**33.8**	(90.5)
Net financing expense	**(17.6)**	(19.2)
Profit/(loss) before taxation	**72.0**	(33.2)

More properties in the USA. Left: 77 North Washington, Boston, Massachusetts, above and opposite page: 11, East Chase Street, Baltimore, Maryland.

STRATEGIC REPORT continued

Overall this year has seen a reduction of £2.9 million in rental income equivalent to 1.9% (2020 - 6.5% increase).

In the UK rental income has shown a small net decrease with income from new developments and tenants offset by lost tenants and income reductions.

In the USA the reduction in rental income mainly arose from our Washington Street, Baltimore property where a tenant gave up three floors.

Service charge income has decreased reflecting a reduced level of activity on major works in the year.

There was no significant change in the overall level of property operating expenses with reduced expenditure on letting commissions and repairs offset by an increase in the provision for bad debts.

Administrative expenses include costs of £3.3 million relating to the Scheme of Arrangement which will not recur in future years.

Profit on disposals largely derive 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. In 2020 profit on disposals also included the surplus on the sale of part of our Middlesex Street site in Aldgate.

The new bank borrowings in the UK have had the effect of increasing both interest paid and received by equivalent amounts with no impact on net finance costs. The increase in net finance costs results from the reduction in interest on cash balances due to deposit interest rates falling to near zero.

This year's fair value movement on financial instruments was a gain of £1.4 million (2020 - £1.4 million loss).

As shown in Note 6 to the financial statements, the Group tax charge of £17.5 million (2020 - £13.4 million) represents an effective tax rate of 24% which is consistent with the weighted average standard tax rate of both countries. The announced increase to the UK corporate tax rate from 1 April 2023 had not been enacted by the 31 March 2021 but will affect current and deferred tax charges in the future.

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

STRATEGIC REPORT continued

Earnings per share

The Group recorded earnings per share of £3.35 (2020 - loss of £2.92) an increase of £6.40 (2020 - £10.28 decrease).

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:

	2021	2020
	£m	£m
Profit/(loss) before tax per the income statement	**72.0**	(33.2)
Property valuation (surplus)/deficit	**(33.8)**	90.5
Financial instruments fair value adjustments	**(1.5)**	1.4
Adjustment to measurement of disposal profits	**1.1**	59.9
Underlying profit before tax	**37.8**	118.6

This year's underlying profit before tax of £37.8 million is a reduction of £80.8 million on the previous year (2020 - £118.6 million). The prior year benefitted from the one-off realised gain arising on the sale of the southern part of the Middlesex Street site.

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.

This page and opposite page: Grove Hall Court, London NW8.

STRATEGIC REPORT continued

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 24.3% (2020 - 17.8%) for the Group as a whole. In the UK the ratio is 16.9% (2020 - 7.8%) whilst in the USA, where each property is financed separately on a ring-fenced basis, it is 43.8% (2020 - 42.0%).

Shareholders' funds

At 31 March 2021 shareholders' funds amounted to £1,901.2 million, an increase of 0.3% on last year's figure of £1,896.0 million (2020 decrease of 2.3%). Shareholders' funds in recent years have been as follows:

Outlook

The Chairman's Introduction on page 2 describes the economic and political factors which will affect the Group in the coming year.

This page and opposite page: Central Park, Brighton, East Sussex.

STRATEGIC REPORT continued

In the UK we have seen the economy rebound after emerging from the winter lockdown with some economists projecting that GDP will return to pre-pandemic levels by the end of 2021. However the recovery is fragile and heavily dependent on the successful management of Covid-19 infections.

It is by no means clear that the behaviour of the public, so far as concerns the use of retail, leisure and office premises, will fully return to previous patterns. This may impact on the future demand for and valuation of such properties.

The USA is currently enjoying significant growth in GDP although it is also experiencing an increase in Covid-19 infections which may threaten the recovery.

Inflationary pressure has re-emerged in both the UK and the USA with current rates running ahead of target although monetary authorities in both territories regard this as a transitory phenomenon.

Until these issues have become clearer we will carefully conserve our financial resources so that we are 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 will 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.

In the immediate future we are unlikely to experience the rate of growth in net asset value that we have enjoyed in recent years although a return to growth is anticipated in the longer term.

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).

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.

Opposite page and above: 90 Hills Road, Cambridge.

STRATEGIC REPORT continued

- 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.

All Directors of the Company are male and no new recruitment to the Board is presently planned which would cause this to change. When the need for recruitment does arise equal consideration will be given to all candidates, regardless of gender, religion or ethnicity.

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 £183,335 (2020 - £115,500).
- 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 £1,113,786 (2020 - £1,083,131) 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.

In consequence, we have no disclosures to make in relation to greenhouse gas emissions and therefore this report does not contain information of the kind mentioned in Part 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

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 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 most of the Group's

Opposite page and above:
49 & 50 Great
Marlborough Street W1.

STRATEGIC REPORT continued

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 risks faced by the Group, described on pages 6 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 impact of the Covid-19 pandemic, 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 comparable or improved terms.

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 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 2021 for rent due in the quarter ended 31 July 2021. This amounts to approximately 15% not being collected, which itself is around ten percentage points lower than the actual collection of UK rental income that the Group has achieved to date for the year ended 31 March 2021. Notwithstanding the reduction in 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.

J. S Southgate

By order of the Board
J S Southgate

Company Secretary

1 September 2021

Opposite page and above:
25 Worship Street,
London EC2.

DIRECTORS' REPORT

Change of company name and status

An offer, to be implemented by a scheme of arrangement, by Dock Newco Limited, a company controlled by the Freshwater family, was announced on 21 February 2020 for the Company's shares not already held by the Freshwater family. At a Court meeting in April 2020, over 99% of the shares that voted accepted the offer. The scheme was sanctioned by the Court on 5 May 2020 and became effective on 7 May 2020. The Company changed its name from Daejan Holdings plc to Daejan Holdings Limited on 28 May 2020 and approved modifications to its constitutional documents changing the company from a public limited company to a private limited company.

Strategic Report

The Company's Strategic Report for the year ended 31 March 2021 is set out on pages 5 to 33 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

The profit for the year amounted to £54.5 million (2020 - loss of £46.6 million). A first interim dividend of 74p per share was paid on 22 December 2020 and a second interim dividend of 35p per share was paid on 19 March 2021. 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

The Directors who served throughout the year and up to the date of this report, except as noted, were:
Mr B S E Freshwater
Mr S I Freshwater
Mr S B Benaim (resigned 31 May 2020)
Mr D Davis
Mr A M Freshwater
Mr C B Freshwater
Mr R E Freshwater
Mr S Srulowitz (resigned 30 June 2020)

Brief biographies of the Directors are as follows:

Mr B S E Freshwater. Aged 73 - 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 71 - 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 86 - 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 50 - 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 49 - 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 51 - 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 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 2021	31 March 2020	**31 March 2021**	31 March 2020
B S E Freshwater	**457,683**	457,683	**12,245,617**	8,898,253
S I Freshwater	**206,920**	206,920	**8,332,941**	4,985,577
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

DIRECTORS' REPORT continued

Notes:

1 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.

2 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.

3 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.

Included in the directors' holdings shown in the table on the previous page are the following holdings at 31 March 2021, 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 2021 up to the date of signing this report.

Corporate Governance

This report combines by reference the Corporate Governance Report on pages 38 to 40.

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 2021, these facilities represented £109.1 million (2020 - £110.2 million) of the loans and borrowings in the financial statements and undrawn facilities of £30.0 million (2020 - £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 33, 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 £66.9 million during the year (2020 - £58.4 million). Gearing, on the basis of gross debt to total assets, was 24.3% (2020 - 17.8%) and net debt (total loans and borrowings less cash and cash equivalents) increased to £599.1 million (2020 - £344.7 million) as the Group entered into a new £225 million loan following the scheme of arrangement and new mortgages including one to part fund the acquisition of a large property in the USA. The Group had undrawn committed facilities of £55.0 million at the balance sheet date (2020 - £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 consequences of the Covid-19 pandemic. 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 2021 for rent due in the quarter ended 31 July 2021. This amounts to approximately 15% not being collected, which itself is around ten percentage points lower than the actual collection of UK rental income that the Group has achieved to date for the year ended 31 March 2021. Notwithstanding the reduction in 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

J S Southgate
Secretary

1 September 2021

CORPORATE GOVERNANCE REPORT

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, its committees 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 non-executive directors. Four non-executive directors served throughout the year and two other non-executives resigned during the year following completion of the scheme of arrangement, having represented the interests of the independent shareholders during the offer process. The names of the Directors together with their biographical details are set out on pages 34 and 35. 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

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

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

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

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 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. 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.

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 S B Benaim and Mr S Srulowitz were appointed in 2017 and resigned on 31 May 2020 and 30 June 2020 respectively. Mr C B Freshwater was also appointed in 2017. They are all remunerated by a fixed director's fee. Mr S B Benaim received an additional fee as Chairman of the Audit Committee.

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:

2021	Base Salary £	Additional fee £	Compensation for loss of office £	Total £
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.

2020	Base Salary £	Additional fee £	Compensation for loss of office £	Total £
Mr B S E Freshwater	1,300,000	-	-	1,300,000
Mr S I Freshwater	1,300,000	-	-	1,300,000
Mr S B Benaim	35,000	-	-	35,000
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	20,000	-	-	20,000
	2,735,000	-	-	2,735,000

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 (2020 - £50,000), equivalent to 3.8% (2020 - 4.0%). The increases were agreed by the Board, following a recommendation from Mr D Davis.

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 increased by 5.1% (2020 - decrease of 0.3%) reflecting the cost of annual salary increases, appointment of additional directors to subsidiary companies and additional funding of the deficit in a pension scheme. 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 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.

During the current year, Mr S B Benaim and Mr S Srulowitz received one-off payments amounting to £50,000 and £40,000 respectively, in recognition of the additional time commitments in connection with the scheme of arrangement. The amounts were determined with reference to arms-length hourly fee rates for their professions. Mr Benaim received a further £50,000 as compensation for loss of office.

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
2021	7,900	27.6	2,931	10.3	17,762	62.1
2020	7,516	27.3	2,735	9.9	17,273	62.8

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 35 and 36.

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:

Mr B S E Freshwater	£
2012	770,000
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

DIRECTORS' RESPONSIBILITIES STATEMENT

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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

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

1 September 2021

INDEPENDENT AUDITOR'S REPORT

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 2021 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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;

INDEPENDENT AUDITOR'S REPORT continued

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

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

We did not identify any additional fraud risks.

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

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

We 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,.
- evaluating the business purpose of significant unusual transactions.

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

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

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

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 non-compliance 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 45, 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.

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
1 September 2021

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2021	*Notes*	**Year ended 31 March 2021 £000**	Year ended 31 March 2020 £000
Gross rental income		**148,703**	151,641
Service charge income		**13,754**	14,502
Total rental and related income from investment property	2	**162,457**	166,143
Property operating expenses	3	**(91,659)**	(91,094)
Net rental and related income from investment property		**70,798**	75,049
Profit on disposal of investment property		**3,248**	15,775
Net valuation gains/(losses) on investment property	9	**33,817**	(90,494)
Administrative expenses:	4		
Recurring		**(14,984)**	(14,254)
Non-recurring arising from scheme of arrangement		**(3,259)**	-
Total Administrative expenses		**(18,243)**	(14,254)
Net operating profit/(loss) before net financing costs		**89,620**	(13,924)
Fair value gains/(losses) on derivative financial instruments		**1,434**	(1,335)
Fair value losses on current investments		**–**	(21)
Other finance income	5	**4,971**	1,929
Finance expenses	5	**(24,051)**	(19,800)
Net financing costs		**(17,646)**	(19,227)
Profit before taxation		**71,974**	(33,151)
Income tax charge	6	**(17,518)**	(13,441)
Profit/(loss) for the year		**54,456**	(46,592)
Attributable to:			
Equity holders of the parent		**54,598**	(47,626)
Non-controlling interest		**(142)**	1,034
Profit/(loss) for the year		**54,456**	(46,592)
Basic and diluted earnings/(loss) per share	7	**£3.35**	£(2.92)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021	**Year ended 31 March 2021 £000**	Year ended 31 March 2020 £000
Profit/(loss) for the year	**54,456**	(46,592)
Foreign exchange translation differences	**(31,732)**	20,568
Total comprehensive income/(loss) for the year	**22,724**	(26,024)
Attributable to:		
Equity holders of the parent	**22,975**	(27,118)
Non-controlling interest	**(251)**	1,094
Total comprehensive income/(loss) for the year	**22,724**	(26,024)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021	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 2019	4,074	555	55,727	1,879,998	1,940,354	167	1,940,521
(Loss)/profit for the year	-	-	-	(47,626)	(47,626)	1,034	(46,592)
Foreign exchange translation differences	-	-	20,508	-	20,508	60	20,568
Distributions to non-controlling interest	-	-	-	-	-	(56)	(56)
Dividends to equity shareholders	-	-	-	(17,273)	(17,273)	-	(17,273)
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 31 March 2021	**4,074**	**555**	**44,612**	**1,851,935**	**1,901,176**	**926**	**1,902,102**

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

CONSOLIDATED BALANCE SHEET

as at 31 March 2021	*Notes*	**31 March 2021 £000**	31 March 2020 £000
Assets			
Investment property	*9*	**2,564,445**	2,524,260
Deferred tax assets	*10*	**234**	506
Loan to a related party	*11*	**222,693**	-
Total non-current assets		**2,787,372**	2,524,766
Trade and other receivables	*11*	**83,143**	76,976
Current investments		**131**	130
Cash and cash equivalents	*12*	**132,120**	146,275
Properties held for sale	*13*	**8,450**	8,450
Total current assets		**223,844**	231,831
Total assets		**3,011,216**	2,756,597
Equity			
Share capital	*14*	**4,074**	4,074
Share premium		**555**	555
Translation reserve		**44,612**	76,235
Retained earnings		**1,851,935**	1,815,099
Total equity attributable to equity holders of the parent		**1,901,176**	1,895,963
Non-controlling interest		**926**	1,205
Total equity		**1,902,102**	1,897,168
Liabilities			
Loans and borrowings	*16*	**725,793**	469,188
Deferred tax liabilities	*10*	**300,717**	297,642
Lease obligations payable		**8,267**	8,328
Total non-current liabilities		**1,034,777**	775,158
Loans and borrowings	*16*	**5,384**	21,739
Trade and other payables	*15*	**67,326**	61,332
Taxation		**1,627**	1,200
Total current liabilities		**74,337**	84,271
Total liabilities		**1,109,114**	859,429
Total equity and liabilities		**3,011,216**	2,756,597

The financial statements on pages 50 to 82 were approved by the Board of Directors on 1 September 2021 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

for the year ended 31 March 2021	£000	Year ended 31 March 2021 £000	£000	Year ended 31 March 2020 £000
Cash flows from operating activities				
Cash generated from operations (Note 21)	59,195		58,435	
Interest received	1,941		1,929	
Interest paid	(26,646)		(26,024)	
Tax paid	(5,304)		(58,563)	
Net cash generated from/(used in) operating activities		29,186		(24,223)
Cash flows from investing activities				
Acquisition and development of investment property	(79,038)		(47,636)	
Proceeds from sale of investment property	3,102		91,899	
Net cash (absorbed by)/generated from investing activities		(75,936)		44,263
Cash flows from financing activities				
Loan to related party	(225,000)		-	
Repayment of loan to related party received	2,307		-	
Repayment of bank loans	(1,505)		(2,135)	
New bank loans	225,000		30,000	
Repayment of mortgages	(40,024)		(36,150)	
New mortgages	92,816		52,469	
Dividends paid to equity holders of the parent	(11,876)		(17,273)	
Payments to non-controlling interest	(28)		(56)	
Net cash generated from financing activities		41,690		26,855
Net (decrease)/increase in cash and cash equivalents		(5,060)		46,895
Cash and cash equivalents brought forward		146,275		95,895
Effect of exchange rate fluctuations on cash held		(9,095)		3,485
Cash and cash equivalents *(Note 12)*		132,120		146,275

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Significant Accounting Policies*

Daejan Holdings Limited (formerly Daejan Holdings PLC) is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2021 comprise the Company and its subsidiaries (together referred to as "the Group").

The consolidated financial statements were authorised for issuance on 1 September 2021.

(a) Statement of compliance

The consolidated Financial Statements have been prepared in accordance with international accounting standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

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 83 to 87.

(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 consequences of the Covid-19 pandemic. 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 2021 for rent due in the quarter ended 31 July 2021. This amounts to approximately 15% not being collected, which itself is around ten percentage points lower than the actual collection of UK rental income that the Group has achieved to date for the year ended 31 March 2021. Notwithstanding the reduction in 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 59.

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

The Group has applied the following new accounting standards and interpretations during the year:

- Definition of Material - Amendments to IAS 1 and IAS 8
- Definition of a Business - Amendments to IFRS 3
- Amendments to the Conceptual Framework for Financial Reporting

The adoption of these new accounting standards and interpretations has not had an 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
- Classification of liabilities as current or non-current - Amendments to IAS 1
- Disclosure of accounting policies - Amendments to IAS 1

(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*	
	2021	2020	**2021**	2020
US Dollar	**1.37**	1.24	**1.31**	1.27

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.

(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.

(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.

(l) Dividends

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

(m) Trade and other payables

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

(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.

(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.

(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

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.

(u) Significant judgements, key assumptions and estimates

The Group's significant accounting policies are set out in 1(a) to 1(t) on pages 54 to 58. 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.

for the year ended 31 March 2021	*UK* £000	*USA* £000	*Eliminations* £000	*Total* £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)
Total administrative expenses	(17,157)	(1,086)	-	(18,243)
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)
Profit for the year	29,796	24,660	-	54,456
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
Total segment assets	2,188,246	834,520	(11,550)	3,011,216
Total segment liabilities	(630,798)	(489,866)	11,550	(1,109,114)
Capital employed	1,557,448	344,654	-	1,902,102

for the year ended 31 March 2020	*UK* £000	*USA* £000	*Eliminations* £000	*Total* £000
Rental and related income	103,013	63,130	-	166,143
Property operating expenses	(55,871)	(35,223)	-	(91,094)
Profit/(loss) on disposal of property	16,253	(478)	-	15,775
Net valuation movements on property	3,005	(93,499)	-	(90,494)
Administrative expenses	(12,631)	(1,623)	-	(14,254)
Profit/(loss) before finance costs	53,769	(67,693)	-	(13,924)
Fair value losses	(1,356)	-	-	(1,356)
Other financial income	699	1,419	(189)	1,929
Financial expenses	(6,295)	(13,694)	189	(19,800)
Profit/(loss) before taxation	46,817	(79,968)	-	(33,151)
Income tax (charge)/credit	(27,054)	13,613	-	(13,441)
Profit/(loss) for the year	19,763	(66,355)	-	(46,592)
Capital expenditure	41,586	6,303	-	47,889
Investment property	1,826,641	697,619	-	2,524,260
Other assets	121,192	123,722	(12,577)	232,337
Total segment assets	1,947,833	821,341	(12,577)	2,756,597
Total segment liabilities	(403,569)	(468,437)	12,577	(859,429)
Capital employed	1,544,264	352,904	-	1,897,168

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

3. *Property Operating Expenses*

	2021 £000	*2020* £000
Porterage, cleaning and repairs	**39,570**	41,552
Insurance	**6,503**	5,909
Building services	**23,972**	25,057
Other management costs	**21,614**	18,576
	91,659	91,094

Of the property operating expenses shown above, an amount of £940,000 (2020 - £1,256,000) related to properties which generated no income during the year.

4. *Administrative Expenses*

	2021 £000	*2020* £000
Staff costs	**7,900**	7,516
Directors' remuneration	**2,931**	2,735
Audit and accountancy	**985**	950
Legal and other administrative expenses	**3,168**	3,053
Total administrative expenses from recurring activities	**14,984**	14,254
Non-recurring administrative expenses arising from scheme of arrangement	**3,259**	-
	18,243	14,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Non-recurring administrative expenses:

During the year the company incurred expenses of £3,259,000 (2020 - £Nil) relating to the scheme of arrangement, the majority of these expenses were professional fees for advice received. More details of the scheme of arrangement are provided on page 34.

Auditor's remuneration:

For the year, the fees payable to KPMG LLP were £50,000 (2020 - £31,000) for the audit of the Company and £800,000 (2020 - £499,000) for the audit of the Group's subsidiaries, together with £Nil (2020 - £Nil) for audit related assurance services and £Nil (2020 - £Nil) for other services. The increase in the cost of the audit for the Group's subsidiary companies is mainly due to certain subsidiaries of the Company that were audited by a component auditor in previous years now being audited by KPMG LLP.

In the UK, the average number of staff provided by the property and administrative management companies who performed roles for the Group totalled 183 (2020 - 203). The average number of full time equivalents whose staff costs were borne by the Group during the year was 129 (2020 - 146). The aggregate staff cost of these persons is shown above and can be analysed as follows:

	2021	*2020*
	£000	£000
Salaries	**6,011**	6,066
NI contributions	**645**	650
Pensions	**1,244**	800
	7,900	7,516

In addition the property and administrative management companies provide, under agency arrangements, staff to perform various caretaking roles. Those costs totalling £976,000 (2020 - £1,063,000) are included within property operating expenses (Note 3) under porterage, cleaning and repairs.

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

5. *Finance Income and Expenses*

	2021	*2020*
	£000	£000
Finance income:		
Bank interest receivable	**56**	59
Other finance income	**4,915**	1,870
	4,971	1,929
Finance expenses:		
Interest payable on bank loans	**7,484**	3,744
Interest payable on mortgages	**15,572**	15,483
Interest on overdue tax	**–**	563
Interest on lease obligation payable	**502**	-
Other interest payable	**493**	10
	24,051	19,800

6. *Taxation*

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

	2021 £000	2020 £000
UK corporation tax	**2,923**	14,821
UK prior year items	**(1,029)**	(243)
	1,894	14,578
Overseas taxation	**1,303**	1,316
Total current tax	**3,197**	15,894
Deferred tax	**14,774**	(30,095)
Deferred tax - (reduction)/increase in future tax rate	**(453)**	27,642
Total deferred tax	**14,321**	(2,453)
Total tax charge	**17,518**	13,441
Reconciliation of tax expense		
Profit before taxation	**71,974**	(33,151)
Corporation tax at the standard UK rate of 19% (2020 - 19%)	**13,675**	(6,299)
(Reduction)/increase in future tax rate	**(493)**	27,642
Prior year items	**(229)**	(243)
Impact of different tax rates	**3,578**	(6,926)
Indexation and non-taxable items	**(793)**	(1,716)
Non-allowable expenses	**1,579**	681
Other	**201**	302
Total tax charge	**17,518**	13,441

Current and deferred tax in the UK have been calculated at 19%, the enacted UK corporation tax rate at 31 March 2021 and 2020. The announced increase to 25% was not enacted into UK law until the summer of 2021 but will affect future charges. In the USA changes to certain USA state taxes meant that the rate of tax our USA results are subject to decreased slightly to 27.6% (2020 - 27.7%) leading to a small overall reduction in our tax charge of £493,000.

The Group's effective tax rate for the current year was 24% (2020 - 41%) a rate consistent with the UK and USA statutory rates. In the prior year as shown above, the recalculation of the deferred tax liabilities due to tax rate changes increased the tax charge by £27,642,000. Removing this amount and prior year tax credits of £243,000 our prior year effective tax rate in the UK was 15% and in the USA was 26%, consistent with the statutory rates in each country.

7. *Earnings per Share*

Earnings per share is calculated on the profit, after taxation and non-controlling interests, of £54,598,000 (2020 loss of - £47,626,000) and the weighted average shares in issue during the year of 16,295,357 (2020 - 16,295,357).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. *Dividends*

	2021 £000	2020 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2019, paid 1 November 2019 @ 71p per share	–	11,570
Interim dividend for the year ended 31 March 2020, paid 6 March 2020 @ 35p per share	–	5,703
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**	-
	17,762	17,273

9. *Investment Property*

	Freehold £000	Long leasehold £000	Short leasehold £000	Total 2021 £000	Total 2020 £000
Balance at 1 April	2,081,315	416,239	26,706	**2,524,260**	2,532,518
Gross up of head lease liability	-	–	-	–	8,401
Adjusted opening balance	2,081,315	416,239	26,706	**2,524,260**	2,540,919
Disposals	(269)	(980)	-	**(1,249)**	(4,677)
New acquisitions	68,061	-	-	**68,061**	29,818
Additions to existing properties	8,139	1,908	-	**10,047**	18,071
Revaluation (recognised in profit)	(2,900)	35,465	1,252	**33,817**	(90,494)
Transfer to properties held for sale	-	-	-	–	(8,450)
Foreign exchange movements (recognised in other comprehensive income)	(61,289)	(9,202)	-	**(70,491)**	39,073
Balance at 31 March	2,093,057	443,430	27,958	**2,564,445**	2,524,260

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 2021. The aggregate amount of £1,848.3 million (2020 - £1,843.8 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 2021 by Metropolitan Valuation Services, Inc., USA Certified General Real Estate Appraisers. The aggregate amount of £726.0 million (2020 - £701.6 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 £18.2 million (2020 - £21.2 million), relating to lease incentives included in Trade and other receivables and increased by an amount of £8.3 million (2020 - £8.4 million) relating to lease obligations.

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 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.

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 2021 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 £9.1 million (2020 - £8.8 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

2021	*Fair Value*	*Rental value £ per sq ft*			*Equivalent Yield %*		
	£000	Low	Average	High	Low	Average	High
UK Commercial							
Office Units							
Greater London	293,536	7.8	56.9	76.7	3.8%	5.0%	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%
Retail Units							
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%
Industrial Units							
All UK	54,735	2.0	10.0	33.1	4.3%	7.5%	27.3%
Leisure and Service Units							
All UK	239,082	4.4	19.2	46.2	5.3%	6.7%	14.9%
Land and Development							
All UK	1,401	-	-	-	-	-	-
Total UK Commercial	**994,974**						
UK Residential		*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			
Total UK Residential	**861,420**						
Total UK	**1,856,394**						
USA Commercial		*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%
Total USA Commercial	**96,793**						
USA Residential Apartments		*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%
New York City - unsold					*Discount rate %*		
co-operative	86,644	3.1	13.1	78.7	8.0%	9.5%	12.0%
Total USA Residential	**629,411**						
Total USA	**726,204**						
Total Group	**2,582,598**						
Less lease incentives	(18,153)						
	2,564,445						

2020	*Fair Value* £000	*Rental value £ per sq ft* Low	Average	High	*Equivalent Yield %* Low	Average	High
UK Commercial							
Office Units							
Greater London	297,195	7.8	59.2	81.2	3.3%	4.8%	12.4%
UK - South	36,556	2.0	13.6	47.2	2.6%	8.6%	48.1%
UK - North	9,797	3.2	11.2	17.0	7.5%	11.7%	18.1%
Retail Units							
Greater London	254,988	6.4	26.2	75.1	1.0%	6.8%	15.4%
UK - South	129,197	0.2	20.0	60.1	2.2%	8.2%	21.4%
UK - North	20,728	2.1	9.5	26.0	6.0%	11.0%	16.2%
Industrial Units							
All UK	47,513	2.0	9.3	29.5	5.3%	10.9%	27.3%
Leisure and Service Units							
All UK	213,560	4.4	20.2	42.4	4.8%	6.2%	14.5%
Land and Development							
All UK	1,563	-	-	-	-	-	-
Total UK Commercial	**1,011,097**						
UK Residential		*Sales value £ per sq ft*					
Greater London	741,498	316	831	1,543			
UK - South	87,343	133	315	505			
UK - North	3,847	105	182	241			
Total UK Residential	**832,688**						
Total UK	**1,843,785**						
USA Commercial		*Rental value £ per sq ft*			*Capitalisation rate %*		
Massachusetts, Philadelphia and New Jersey	107,768	9.0	29.6	34.1	5.0%	5.2%	6.5%
Total USA Commercial	**107,768**						
USA Residential Apartments		*Rental value £ per sq ft*			*Capitalisation rate %*		
New York City	165,202	8.8	11.9	28.6	3.8%	5.2%	5.5%
Florida	212,390	7.7	10.6	13.2	5.3%	5.5%	6.0%
Other States	120,029	10.7	12.3	15.3	4.8%	5.3%	5.5%
New York City - unsold co-operative					*Discount rate %*		
	96,249	3.5	13.9	63.5	8.0%	9.5%	12.0%
Total USA Residential	**593,870**						
Total USA	**701,638**						
Total Group	**2,545,423**						
Less lease incentives	(21,163)						
	2,524,260						

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

The present value of future minimum lease payments in relation to leasehold investment properties is £8.3 million at 31 March 2021 (2020 - £8.4 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

		2021			*2020*	
	Minimum lease payments £000	***Interest on lease payments £000***	***Present value of lease liabilities £000***	*Minimum lease payments £000*	*Interest on lease payments £000*	*Present value of lease liabilities £000*
Due within one year	**537**	**(498)**	**39**	539	(501)	38
Due within two to five years	**2,147**	**(1,969)**	**178**	2,157	(1,983)	174
Due after more than five years	**42,646**	**(34,557)**	**8,089**	43,205	(35,051)	8,154
	45,330	**(37,024)**	**8,306**	**45,901**	**(37,535)**	**8,366**

Capital commitments, arising from contractual obligations not yet invoiced or paid, for the purchase, construction, development or enhancement of investment properties, amounted to £9.8 million at 31 March 2021 (2020 - £7.9 million).

10. *Deferred Tax Assets and Liabilities*

		2021			*2020*	
	Assets £000	***Liabilities £000***	***Net £000***	*Assets £000*	*Liabilities £000*	*Net £000*
Investment property	**–**	**(267,638)**	**(267,638)**	-	(265,918)	(265,918)
Accelerated tax depreciation	**–**	**(33,079)**	**(33,079)**	-	(31,724)	(31,724)
Financial instruments	**234**	**–**	**234**	506	-	506
	234	**(300,717)**	**(300,483)**	506	(297,642)	(297,136)

The movement in deferred tax is as follows:

	Investment property £000	***Accelerated tax depreciation £000***	***Financial instruments £000***	***Total 2021 £000***	*Total 2020 £000*
Balance at 1 April	**(265,918)**	**(31,724)**	**506**	**(297,136)**	(293,205)
Recognised in income	**(10,228)**	**(3,821)**	**(272)**	**(14,321)**	2,453
Foreign exchange movements	**8,508**	**2,466**	**–**	**10,974**	(6,384)
Balance at 31 March	**(267,638)**	**(33,079)**	**234**	**(300,483)**	(297,136)

11. *Trade and Other Receivables*

	2021 £000	2020 £000
Non-current assets		
Loan to a rental party	222,693	-

Further detail is provided in Note 18.

	2021 £000	2020 £000
Current assets		
Rent and service charges debtor	40,149	42,592
Rent and service charges accrued	2,961	3,915
Other debtors and prepayments	34,407	27,836
Mortgages granted repayable within one year	622	468
Corporation tax recoverable	5,004	2,165
	83,143	76,976

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

	2021 £000	2020 £000
Not past due	26,171	31,679
Past due by less than one month	7,877	9,059
Past due by one to three months	2,221	2,362
Past due by three to six months	4,355	3,720
Past due by more than six months	14,663	7,531
	55,287	54,351
Impairment	(12,177)	(7,844)
Net	43,110	46,507

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

	2021 £000	2020 £000
Balance at 1 April	7,844	7,672
Amounts written back/(loss)	621	(1,319)
Movement in allowance for impairment	3,712	1,491
Balance at 31 March	12,177	7,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. *Cash and Cash Equivalents*

	2021 £000	2020 £000
Bank balances	**131,901**	146,056
Short term deposits	**219**	219
Cash and cash equivalents in the balance sheet and cash flow statement	**132,120**	146,275

Included within bank balances are tenants' deposits of £4,184,000 (2020 - £4,489,000) in the UK and £2,754,000 (2020 - £3,109,000) 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 £8.45 million (2020 - £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. Subsequent to the year end, the Group completed the sale of the properties concerned and has received the consideration.

14. *Share Capital*

	Number	2021 £000	2020 £000
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	**16,295,357**	**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*

	2021 £000	2020 £000
Rent and service charges charged in advance	**25,394**	26,080
Other creditors and accruals	**40,664**	32,551
Derivative financial instruments	**1,229**	2,663
Lease obligations payable	**39**	38
	67,326	61,332

16. *Loans and Borrowings*

	2021 £000	2020 £000
Non-current liabilities		
Mortgages	385,196	349,635
Bank loans	340,597	119,553
	725,793	469,188
Current liabilities		
Mortgages	4,786	20,312
Bank loans	598	1,427
	5,384	21,739
Total loans and borrowings		
Mortgages	389,982	369,947
Bank loans	341,195	120,980
	731,177	490,927

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:

	2021 Bank loans £000	2021 Mortgages £000	2021 Total £000	2020 Total £000
Due within one year	598	4,786	5,384	21,739
Due within one to two years	598	5,516	6,114	13,066
Due within two to five years	339,999	50,791	390,790	137,268
Due after more than five years	–	328,889	328,889	318,854
	341,195	389,982	731,177	490,927

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

	2021 Fixed £000	2021 Floating £000	2021 Total £000	2020 Fixed £000	2020 Floating £000	2020 Total £000
Sterling	59,154	311,195	370,349	60,245	90,980	151,225
US Dollar	360,828	–	360,828	339,702	-	339,702
	419,982	311,195	731,177	399,947	90,980	490,927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Floating rate bank loans bear rates based on LIBOR. The Group's interest rate swaps are set out in Note 17 on page 75. The interest rate profile of the Group's fixed rate mortgages was as follows:

	2021 £000	2020 £000
Per cent.		
2.5-3.0	**43,776**	-
3.0-3.5	**92,093**	129,924
3.5-4.0	**139,667**	111,859
4.0-4.5	**42,659**	50,794
4.5-5.0	**42,632**	47,125
5.0-5.5	**13,132**	13,403
5.5-6.0	**6,925**	7,042
6.0-6.5	**9,098**	9,800
	389,982	369,947

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:

	2021 %	2020 %	2021 Years	2020 Years
Sterling	**3.65**	3.69	**9.1**	10.1
US Dollar	**3.70**	3.83	**8.3**	8.4

17. *Financial Assets and Liabilities*

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

	2021 Carrying amount £000	2021 Financing income/ (expense) £000	2020 Carrying amount £000	2020 Financing income/ (expense) £000
Current asset investments	**131**	**–**	130	(21)
Current assets at fair value through profit or loss	**131**	**–**	130	(21)
Derivative financial instruments	**(1,229)**	**1,434**	(2,663)	(1,335)
Current liabilities at fair value	**(1,229)**	**1,434**	(2,663)	(1,335)
Trade and other receivables	**305,836**	**4,915**	76,976	1,870
Cash and cash equivalents	**132,120**	**56**	146,275	59
Current assets at amortised cost	**437,956**	**4,971**	223,251	1,929
Trade and other payables	**(66,058)**	**(493)**	(58,669)	(10)
Lease obligations payable	**(8,306)**	**(502)**	(8,328)	(21)
Floating rate loans and borrowings	**(341,195)**	**(7,484)**	(120,980)	(3,744)
Fixed rate loans and borrowings	**(389,982)**	**(15,572)**	(369,947)	(15,462)
Current and non-current liabilities at amortised cost	**(805,541)**	**(24,051)**	(557,924)	(19,237)
Total financial instruments	**(368,683)**	**(17,646)**	(337,206)	(18,664)

The finance income of £1,434,000 (2020 - finance expense £1,335,000) relating to derivative financial instruments is stated net of £70,000 expense (2020 - £66,000 income) 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 £429,286,000 (2020 - £425,101,000). 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 during the year 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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 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 2021, gearing was 24.3% (2020 - 17.8%) (see note 23). Cash and short-term deposits at 31 March 2021 were £132.1 million (2020 - £146.3 million) and £5.4 million of loans and borrowings were repayable within one year (2020 - £21.7 million). In addition, at the same date, the Group had undrawn committed facilities of £55.0 million (2020 - £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 2021 was as follows:

			2021			
	Carrying amount	*Aggregate undiscounted cash flows*	*Due within one year*	*Due within 1-2 years*	*Due within 2-5 years*	*Due after more than 5 years*
	£000	£000	£000	£000	£000	£000
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

			2020			
	Carrying amount	*Aggregate undiscounted cash flows*	*Due within one year*	*Due within 1-2 years*	*Due within 2-5 years*	*Due after more than 5 years*
	£000	£000	£000	£000	£000	£000
Bank loans	120,980	120,980	1,427	1,629	117,924	-
Mortgages	369,947	369,947	20,312	11,437	19,344	318,854
Interest	-	125,756	17,687	16,827	43,087	48,155
Interest rate swaps	2,663	2,254	268	268	803	915
Lease obligations payable	8,328	45,901	539	539	1,618	43,205
Trade and other payables	58,669	58,669	58,669	-	-	-
	560,587	723,507	98,902	30,700	182,776	411,129

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 new £225 million borrowing, the Group capped its exposure to interest rate movements by entering into £225 million of 0.5% interest caps.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 2021, 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 2021 of £2.2 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:

		Contracted rate		*Notional principal*		*Fair value*	
		2021	*2020*	***2021***	*2020*	***2021***	*2020*
	Class	%	%	**£000**	£000	**£000**	£000
Maturing within 2 - 5 years	Cap	**0.5**	-	**225,000**	-	**(586)**	-
Maturing after 5 years	Swap	**1.6**	1.6	**30,000**	30,000	**1,815**	2,663
				255,000	30,000	**1,229**	2,663

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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 £47.4 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. At 31 March 2021, the aggregate net amounts due to the Group from Highdorn and FPM was £5.4 million (2020 - £4.0 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:

	2021	*2020*
	£000	£000
Balance due to related party managing agents at 1 April	**2,510**	2,285
Charged during the year	**4,424**	4,537
Paid during the year	**(4,805)**	(4,312)
Balance due to related party managing agents at 31 March	**2,129**	2,510

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 £1,113,786 (2020 - £1,083,131). The Directors' interests in the Company and the principal shareholders are described on pages 35 and 36. The Board considers that the Directors are the key management personnel of the Group and their remuneration is disclosed on page 42.

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%. 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 £4,473,000 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 £222,693,000 (included in other debtors, note 11).

Certain of the first and second declared interim dividends remain outstanding at year end amounting to £5,886,000 (included in other creditors, note 15) and are due to a number of shareholding companies that are related parties as Mr B S E Freshwater and Mr S I Freshwater are directors of these companies. The ultimate controlling shareholders of these companies are trusts that Mr A M Freshwater, Mr C B Freshwater and Mr R E Freshwater have beneficial interests in.

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 (2020 - £Nil).

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

	2021 £000	*2020* £000
Due within one year	**89,411**	66,682
Due within one to two years	**60,223**	57,186
Due within two to five years	**133,406**	145,741
Due after more than five years	**359,763**	377,516
	642,803	647,125

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

21. Notes to the Consolidated Statement of Cash Flows

Cash generated from operations

	2021 £000	*2020* £000
Net operating profit/(loss) before net financing costs	89,620	(13,924)
Adjusted for:		
Net valuation (gain)/loss on investment property (Note 9)	(33,817)	90,494
Net gain on sale of investment property	(3,248)	(15,775)
Cash flows from operations before changes in working capital	52,555	60,795
Changes in working capital:		
Change in trade and other receivables	3,476	(8,907)
Change in trade and other payables	3,164	6,547
Working capital movement	6,640	(2,360)
Cash generated from continuing operations	59,195	58,435

Change in liabilities during the year relating to financing activities

	2021 £000	*2020* £000
Total loans and borrowings at 1 April (Note 16)	490,927	430,754
Repayment of bank loans	(1,505)	(2,135)
New bank loans in year	221,720	30,000
Repayment of mortgages	(40,024)	(36,150)
New mortgages	92,816	52,469
Foreign exchange impact	(32,757)	15,989
Total loans and borrowings at 31 March (Note 16)	731,177	490,927

22. *Subsidiary Undertakings*

At 31 March 2021, 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
Alsam Limited
Astral Estates (London) Limited
Bagnight Limited*
Bampton (B&B) Limited
Bampton (Redbridge) Limited
Bampton Holdings Limited
Bampton Homes Limited
Bampton Management Limited
Bampton Property Group Limited (The)
Brickfield Properties Limited
Chilon Investment Co. Limited
City and Country (Londonderry House) Limited
City and Country Properties (Birmingham) Limited
City and Country Properties (Camberley) Limited
City and Country Properties (Estates) Limited
City and Country Properties (Gillingham) Limited
City and Country Properties (Leeds) Limited
City and Country Properties (Midlands) Limited
City and Country Properties Limited
Coindragon Limited*
Coineagle Limited*
Coinface Limited
Coinmad Limited*
Coinmoat Limited*
Coinorbit Limited*
Coinpilot Limited*
Coinreach Limited*
Coinsmart Limited*
Coinspear Limited*
Coinsun Limited
Consbrix Developments Limited
Cromlech Property Co. Limited (The)
Crozera Limited
Daejan (Brentford) Limited*
Daejan (Brighton) Limited
Daejan (Cambridge) Limited
Daejan (Cardiff) Limited
Daejan (Care Homes) Limited*
Daejan (Dartford) Limited
Daejan (Design & Build) Limited*
Daejan (Durham) Limited
Daejan (FH 1998) Limited
Daejan (FHNV 1998) Limited
Daejan (Hanger Hill) Limited*
Daejan (High Wycombe) Limited
Daejan (Kingston) Limited
Daejan (Lauderdale) Limited
Daejan (Norwich) Limited
Daejan (NUNV) Limited
Daejan (NUV) Limited
Daejan (PF) Limited
Daejan (Reading) Limited
Daejan (Taunton) Limited
Daejan (UK) Limited*
Daejan (US) Limited*
Daejan (Warwick) Limited
Daejan (Watford) Limited
Daejan (Wimbledon) Limited*
Daejan (Worcester) Limited
Daejan Commercial Properties Limited
Daejan Developments Limited
Daejan Enterprises Limited
Daejan Estates Limited
Daejan Investments (Grove Hall) Limited
Daejan Investments (Harrow) Limited
Daejan Investments (Park) Limited
Daejan Investments Limited
Daejan Metropolitan Investments Limited*
Daejan Properties Limited
Daejan Retail Properties Limited
Daejan Securities Limited*
Daejan Services Limited*
Daejan Traders Limited*
Daneryn Limited*
Derlingrange Limited*
Ealux Limited
Endell Developments Limited*
Endell Properties Limited*
Endell Real Estate Limited*
Esslock Limited

* *Directly owned*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Fifth Charles Investments Limited*
First Charles Investments Limited*
Foredale Limited*
Gertsbrix Developments Limited
Grapeseal 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
Three Dials Limited
Four Dials Limited
Eight Dials Limited
Nine 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) below: 1651 Coney Island Avenue, Brooklyn, NY 11230

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

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

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 43rd 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.

	2021	*2020*
	£000	£000
Profit/(loss) before tax per the income statement	**71,974**	(33,151)
(Deduct)/add back property valuation losses/(gains)	**(33,817)**	90,494
(Deduct)/add back financial instruments fair value (gains)/losses	**(1,434)**	1,356
Add back realised valuation gains on property disposals	**1,118**	59,901
Underlying profit before tax	**37,841**	118,600

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.

	2021	*2020*
Total equity attributable to equity holders of the parent (£000)	**1,901,176**	1,895,963
Weighted average number of shares in issue during the year	**16,295,357**	16,295,357
Shareholders funds per share (£)	**116.67**	116.35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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.

	2021 UK £000	*2021 USA £000*	*2021 Total £000*	*2020 UK £000*	*2020 USA £000*	*2020 Total £000*
Loans and borrowing (Note 16)	**370,349**	**360,828**	**731,177**	151,225	339,702	490,927
Total assets	**2,188,246**	**822,970**	**3,011,216**	1,947,833	808,764	2,756,597
Gearing	**16.9%**	**43.8%**	**24.3%**	7.8%	42.0%	17.8%

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.

	2021 UK £000	*2021 USA £000*	*2021 Total £000*	*2020 UK £000*	*2020 USA £000*	*2020 Total £000*
Carrying value at 1 April (Note 9)	**1,826,641**	**697,619**	**2,524,260**	1,785,746	746,772	2,532,518
Gross up of head lease liability	**–**	**–**	**–**	8,159	242	8,401
Foreign exchange movements	**–**	**(70,491)**	**(70,491)**	-	39,073	39,073
Value at 1 April at year end exchange rate	**1,826,641**	**627,128**	**2,453,769**	1,793,905	786,087	2,579,992
Acquisitions	**581**	**67,480**	**68,061**	29,818	-	29,818
Additions to existing properties	**6,205**	**3,842**	**10,047**	11,768	6,303	18,071
Disposals	**(269)**	**(980)**	**(1,249)**	(3,405)	(1,272)	(4,677)
Revaluation	**8,210**	**25,607**	**33,817**	3,005	(93,499)	(90,494)
Transfer to properties held for sale	**–**	**–**	**–**	(8,450)	-	(8,450)
Carrying value at 31 March (Note 9)	**1,841,368**	**723,077**	**2,564,445**	1,826,641	697,619	2,524,260
Valuation gain percentage	**0.4%**	**4.1%**	**1.4%**	0.2%	(11.9)%	(3.5)%

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.

25. *Events after the reporting period*

On 30 June 2021, the Group completed the sale of a property included in Properties held for sale with a carrying value of £8.45 million. There were no other significant events occurring after the reporting period, but before the financial statements were authorised for issue.

COMPANY BALANCE SHEET

as at 31 March 2021

	Notes		*2021*		*2020*
		£000	**£000**	£000	£000
Fixed assets					
Investment in subsidiary undertakings	*4*		**1,198,266**		1,243,319
Deferred tax assets			**345**		506
Loan to a related party			**222,693**		-
			1,421,304		1,243,825
Current assets					
Debtors		**10,912**		19,283	
Cash at bank		**40,107**		29,167	
		51,019		48,450	
Creditors: amounts falling due within one year	*5*	**(229,658)**		(317,896)	
Net current liabilities			**(178,639)**		(269,446)
Total assets less current liabilities			**1,242,665**		974,379
Creditors: amounts falling due after more than one year	*6*		**(62,585)**		(62,826)
Net assets			**1,180,080**		911,553
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			**1,174,558**		906,031
Equity shareholders' funds			**1,180,080**		911,553

The financial statements of Daejan Holdings Limited (Company number 305105) on pages 83 to 87 were approved by the Board of Directors on 1 September 2021 and were signed on its behalf by:

B S E Freshwater
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021	*Issued share capital* £000	*Share premium account* £000	*Other reserves* £000	*Retained earnings* £000	*Equity shareholders' funds* £000
Balance at 1 April 2019	4,074	555	893	931,701	937,223
Loss for the year	–	–	–	(8,397)	(8,397)
Dividends to equity shareholders	–	–	–	(17,273)	(17,273)
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 31 March 2021	**4,074**	**555**	**893**	**1,174,558**	**1,180,080**

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 Standard 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 profit for the year after taxation was £286,289,000 (2020 - loss of £8,397,000).

(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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

(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. *Profit on Ordinary Activities before Taxation*

The Company has no staff other than its Directors and their remuneration is set out on page 42 of the Group accounts. The parent company audit fee is disclosed on page 62 of the Group accounts.

3. *Dividends*

	2021 £000	2020 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2019, paid 1 November 2019 @ 71p per share	–	11,570
Interim dividend for the year ended 31 March 2020, paid 6 March 2020 @ 35p per share	–	5,703
First interim dividend for the year ended 31 March 2021, paid 22 December 2020 @ 74p per share	**12,059**	-
Second interim dividend for the year ended 31 March 2021, paid 19 March 2021 @ 35p per share	**5,703**	-
	17,762	17,273

4. *Investments in Subsidiary Undertakings*

	Shares at cost £000	Loans £000	Total £000
At 1 April 2020	992,205	251,114	1,243,319
Additions	-	-	-
Loans	-	(45,053)	(45,053)
At 31 March 2021	**992,205**	**206,061**	**1,198,266**

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

	2021 £000	2020 £000
Bank loans and overdrafts	**162**	148
Amounts owed to subsidiary undertakings	**220,574**	314,238
Other creditors and accruals	**7,107**	847
Derivative financial instruments	**1,815**	2,663
	229,658	317,896

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

	2021 £000	2020 £000
Secured bank loans	**62,585**	62,826

7. *Share Capital*

	Number	2021 £000	2020 £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)

	2017	*2018*	*2019*	*2020*	***2021***
	£000	£000	£000	£000	**£000**
Total rental and related income	140,738	142,885	156,161	166,143	**162,457**
Property operating expenses	(75,938)	(76,407)	(79,580)	(91,094)	**(91,659)**
Net rental and related income	64,800	66,478	76,581	75,049	**70,798**
Profit on disposal of investment properties	14,594	11,893	12,203	15,775	**3,248**
Net valuation gains/(losses) on investment properties	144,508	146,438	83,928	(90,494)	**33,817**
Administrative expenses					
Recurring	(12,559)	(13,263)	(13,904)	(14,254)	**(14,984)**
Non-recurring arising from Scheme of Arrangement	-	-	-	-	**(3,259)**
Total administrative expenses	(12,559)	(13,263)	(13,904)	(14,254)	**(18,243)**
Net operating profit/(loss) before net financing costs	211,343	211,546	158,808	(13,924)	**89,620**
Net financing expense	(12,947)	(10,284)	(20,976)	(19,227)	**(17,646)**
Profit/(loss) before taxation	198,396	201,262	137,832	(33,151)	**71,974**
Income tax	(36,266)	1,696	(17,853)	(13,441)	**(17,518)**
Profit/(loss) for the year	162,130	202,958	119,979	(46,592)	**54,456**
Earnings/(loss) per share	£9.93	£12.45	£7.36	£(2.92)	**£3.35**
Total assets	2,406,831	2,535,005	2,766,503	2,756,597	**3,011,216**
Equity shareholders' funds	1,655,955	1,812,993	1,940,521	1,897,168	**1,902,102**
Equity shareholders' funds per share	£101.61	£111.25	£119.07	£116.35	**£116.67**

DIRECTORS AND ADVISERS

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

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sterling 174753
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