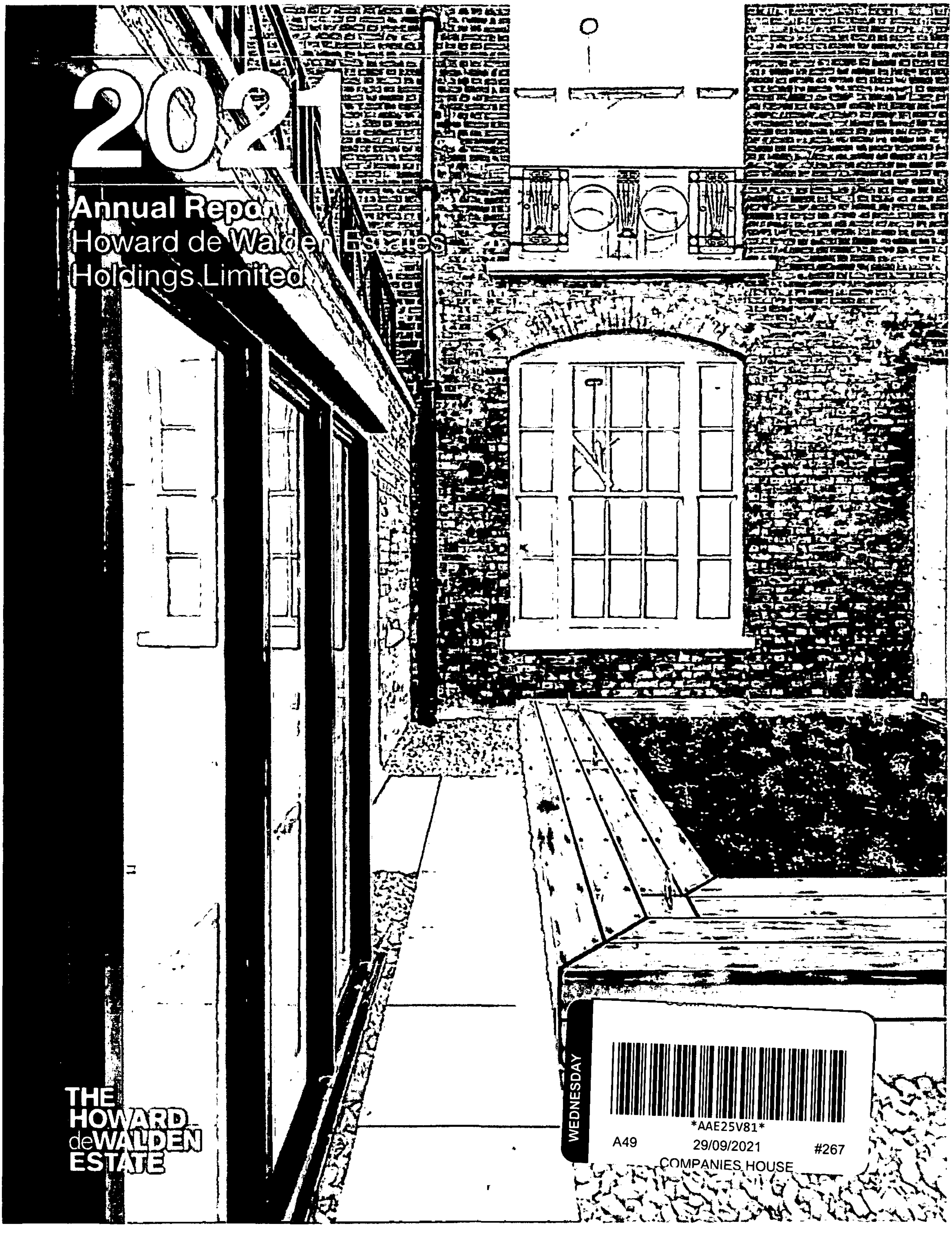
2021

Annual Report
Howard de Walden Estates Holdings Limited



THE HOWARD de WALDEN ESTATE

Howard de Walden Estates Holdings Limited

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THE
HOWARD
deWALDEN
ESTATE

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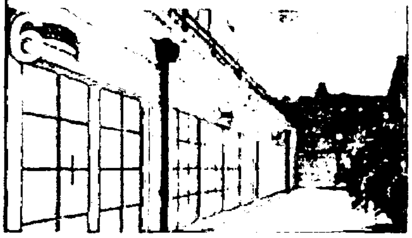

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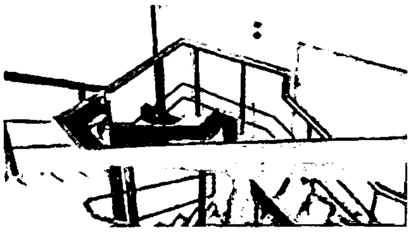

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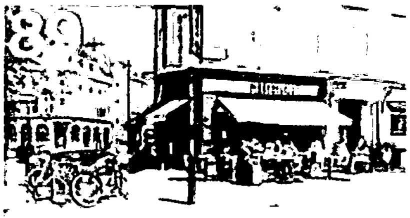


Front cover: 142-146 Harley Street

Chairman's statement

Introduction
When I wrote this report last year no one could have imagined how serious and long lasting the effects of the pandemic would be. Over the last 18 months, our staff, customers and local community have all experienced significant disruption, including three national lockdowns. Sadly some have also had to cope with personal tragedy and bereavement.

Financial performance
COVID-19 was ever-present throughout the year and resulted in a decline in income and profits. However, our sound financial base, and our countercyclical healthcare portfolio, gave us some resilience to its worst effects. The pandemic has accelerated many of the trends already apparent, including the move to shopping online and flexible working. As society unlocks, it will be interesting to understand the trends and changes in behaviour that may become permanent.

Despite the upheavals of the last year, in many respects we continued to operate as we would in any other year. Development projects were completed, property continued to be let, residents were supported by our on-site maintenance team throughout, and our property teams were available to provide support to our customers. One of the pandemic related benefits has been the increase in engagement with customers, and despite the challenging times for all parties, we now share a greater understanding and appreciation of each other.

Environment and community
Notwithstanding the weaker financial performance, we decided to boost our charitable and community giving, honouring commitments, and stepping up support to help those badly affected by COVID-19. Charitable and community support contributions increased 14.2% from £811,000 to £926,000. Social distancing adversely impacted our volunteering activities and therefore we concentrated on those fighting food deprivation, digital exclusion, and loneliness. In recent years, we have forged a close link with University College London Hospital NHS Trust and financial assistance was provided to support the welfare of frontline staff and to fund two research fellows studying the impact of long COVID.

As we move towards the Government's target of net zero carbon emission, environmental issues are rapidly gaining importance. We also face a number of hard targets on energy efficiency that we need to achieve in the next ten years. To do this we require a better understanding of the impact of our properties on the environment and this will be a priority in the coming years. We are committed to being a net zero carbon business by 2040 and will publish our pathway towards achieving this within the next 12 months. Initiatives to reduce and eliminate carbon in the development and refurbishment of our buildings and to improve ongoing environmental performance will form a key part of our commitment to a more sustainable future.

Board changes
Andrew Hynard stood down from the Board in September 2020 and I would like to thank him for steering the Company over the last four years. After more than 20 years, Simon Baynham retired as Property Director and after 12 years, Sir Christopher Howes retired as Deputy Chairman and director. Our grateful thanks to Simon for his immense contribution in identifying many of the opportunities from which we continue to benefit and to Sir Christopher for his wise guidance and counsel over many years. Toby Shannon succeeds Sir Christopher as Deputy Chairman.

We were delighted to appoint Mark Kildea, previously Chief Operating Officer and formerly Finance Director, as Chief Executive. Mark stepped up to the role of Interim Chief Executive in September 2020 and was permanently appointed in May 2021. He has had to deal with an exceptionally difficult period. We were also delighted to appoint Julian Best as Executive Property Director in October 2020. Julian was previously Property Investment & Strategy Director. Andrew Griffith, who had been Interim Chief Financial Officer since November 2020, was appointed to the Board in May 2021 as Chief Financial Officer. Andrew has a wealth of property and finance experience after 12 years at Grosvenor. Finally we were delighted to welcome Karl Sternberg who joined the Board in December 2020 as a Non-Executive Director. Karl brings considerable experience to the Board on investment management and in running a long-term property portfolio.

Outlook

The pandemic has affected almost everyone and every business. It also has the potential to reshape and transform the future. Its long-term effects on real estate are highly uncertain. We expect continuing challenges to our business as London slowly recovers and the long-term effects of the pandemic become apparent. However we are optimistic that with our strong financial position and countercyclical medical portfolio we will see a return to a growth in income and profits in the medium term.

Our Staff

Finally I would like to pay tribute to our Executive Directors and staff who have had to work in ways they never expected and who have admirably stepped up to the challenge. We are very proud and grateful for all that they have achieved in an extremely difficult year.

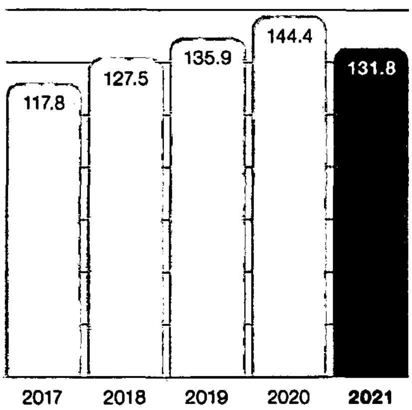
Sir William Proby
Bt CBE DL
Chairman

Financial highlights

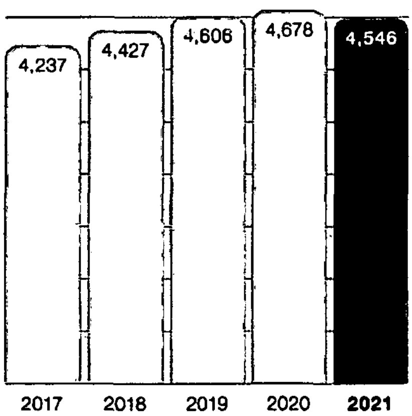
Key performance indicators	2021	2020	Change %
Rental income	**£131.8m**	£144.4m	↓8.7%
Revenue profit before tax*	**£63.6m**	£77.6m	↓18.0%
Investment property value	**£4,546m**	£4,678m	↓2.8%
Shareholders' funds	**£3,277m**	£3,383m	↓3.1%
Gearing**	**19.2%**	18.3%	↑4.9%

*Revenue profit before tax is the Group's preferred measure of profitability. Calculation on page 25.
**Gearing is the proportion of the Group's net assets funded by net debt.

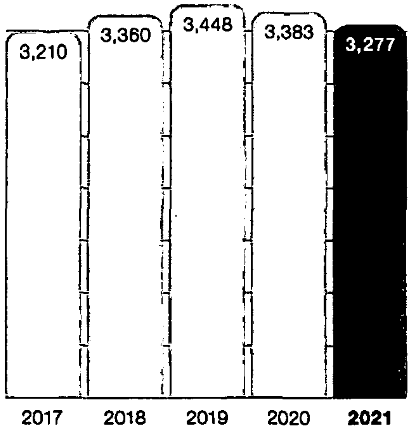
Rental income £m



Investment property value £m



Shareholders' funds £m



Estate overview

Who we are

Family owned
The Estate has been under the family's control since 1879 and this continued ownership instils a sense of purpose, commitment and pride in everything we do.

Original placemakers
Our roots in Marylebone are deep. Our passion for the buildings and history of the area is matched only by our commitment to the community and its future.

Responsible stewards
The Group takes a long-term approach to managing, maintaining and developing the best properties so that our thriving community can bring them to life.

What we do

Build the future
We strive to develop buildings for now and for the future, whilst being sympathetic to the history and existing architecture.

Attract great customers
We recognise the important role our customers play in the success of our business and community and strive to deliver an excellent service and develop long lasting relationships with them.

Invest in community
We are proud of our unique community and promote Marylebone as a wonderful place to live, work and visit. Through various events and public realm initiatives, we aim to provide great experiences, so people visit time and time again.

How we do it

Collaboration
Cultivating great relationships with customers, colleagues, community and other stakeholders is key to our business. Our success is founded upon both our affiliation to Marylebone and the people and businesses found in this part of London.

Innovation
We offer buildings and spaces that provide modern-day amenities designed and suited to our customers' lives and livelihoods. We strive to find new ways to work with our customers, community and other stakeholders, to deliver places we all want to be in.

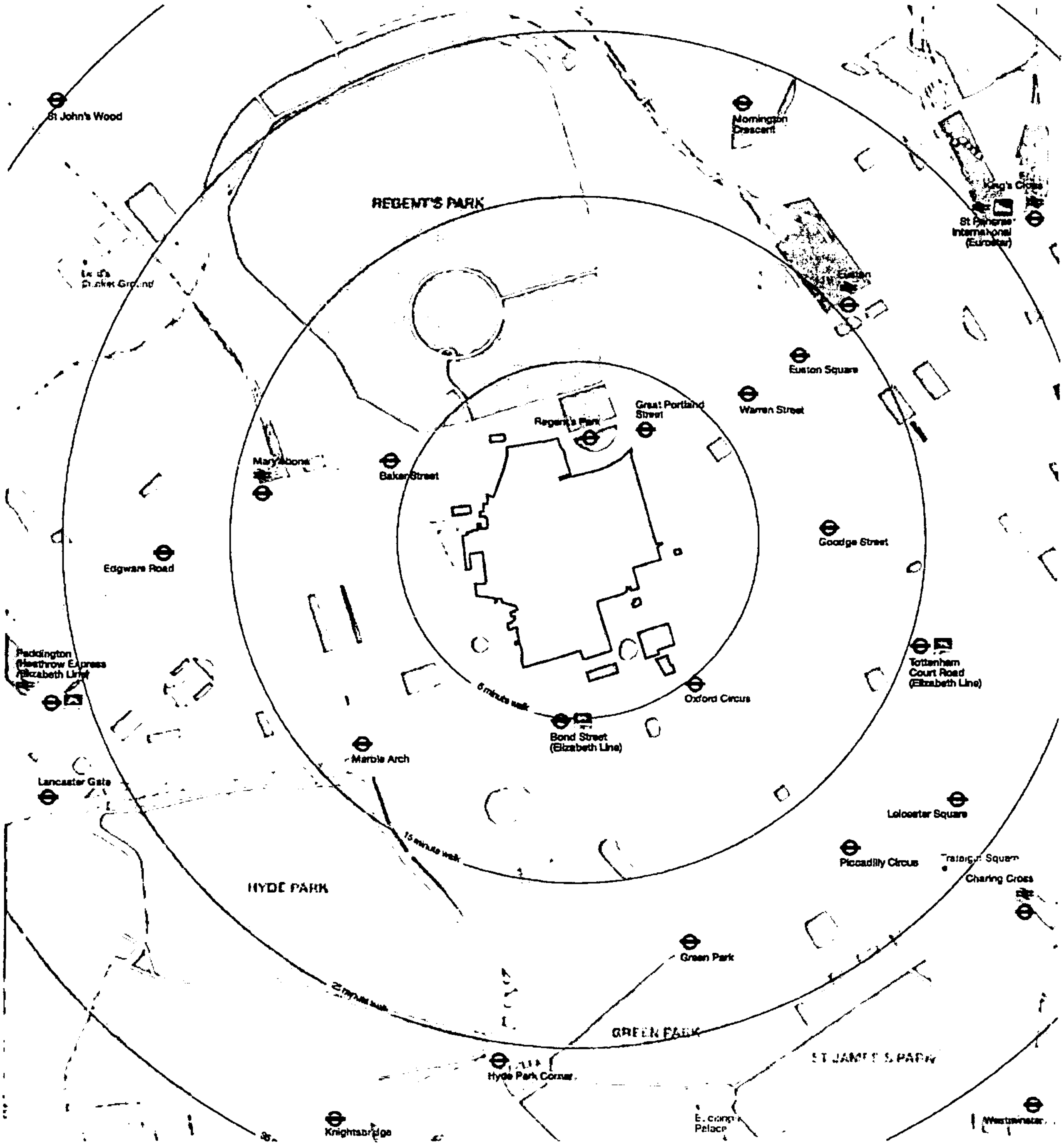
Responsiveness
We recognise that being approachable and partnering with our stakeholders is important. Listening and reacting to other parties, who are also committed to the prosperity of the area, is vital to our approach. In an ever-changing marketplace, our ability to respond can be a key differentiator.

Excellence
We want Marylebone to continue to be known as a fantastic place to live and do business for generations to come. We are driven to constantly improve and to offer the highest levels of service and product.

Where we are

92 acres of vibrant and mixed use property in the heart of London.

☐ The Howard de Walden Estate boundary



Chief Executive's statement

Introduction

The last 18 months have exposed the fragility of our system of healthcare provision. Reduced trust in the safety of public transportation, together with continued social distancing, threatens our greatest cities and the national economy. In the context of the national and worldwide suffering of the last 18 months, our annual report is trivial. However, the downturn in our own financial performance is a reflection of the difficulties felt by residents and owners of businesses across our Estate. The impact has been profound for retail and hospitality, forced to close, then to re-open with restrictions and fewer customers. More than ever, we appreciate that buildings and places are vastly more appealing when combined with human interaction and community activity.

COVID-19 impact and response

The effects of the pandemic were ever-present throughout the financial year and heavily influenced the operation of the business. We targeted our financial support to customers who suffered most due to government restrictions. Retail was hit particularly hard and, whilst we achieved a reasonable level of rent collection, this was combined with concessions, including deferral and rent discounts. We also assisted Hospitality, with the introduction of some turnover-based rents. Our approach was engagement on a case-by-case basis and we favoured those customers who were willing to share some of the financial burden and their financial information with us. Despite a small number of office occupiers choosing to break leases, our rent collection was robust. Our healthcare income remained strong, emphasising its countercyclical quality. The exodus from city centres created a much higher level of voids in our Residential portfolio and, combined with an over-supplied market, forced a pragmatic approach to agreeing short tenancies at reduced rents. Due to the ongoing uncertainty as the market recovers, we have made a much higher level of provision against outstanding rent and service charges than in the previous year.

Our financial support for the community and charities increased and we decided to front-load our contributions towards the beginning of our financial year. We always try to connect with our communities and offer support through volunteering, or linking our donations with ways which can assist us improve diversity in real estate and within our business. Due to social distancing, it was extremely difficult to provide physical support this year. Information on the communities and organisations we have been able to help are detailed on pages 38 and 39.

Our colleagues provided a constant physical presence throughout, varying from essential support, rotas and voluntary office attendance that has largely applied since September 2020. I am immensely proud of what they have achieved. The resilience in our operational performance and the financial outcome achieved in extreme adversity is down to their collective efforts. They have embraced the need to return to the office, faced difficult negotiations and have driven performance with agility and skill. It has been a challenging period for everyone and because of this we have prioritised wellbeing initiatives and increased communication. We will continue to look for ways to help our colleagues achieve a higher level of performance.

Financial performance

After the largest economic contraction in the UK for 300 years, our rental income and revenue profit were considerably lower than they were 12 months earlier. However, the impact was less severe than we had anticipated at the onset of the crisis. This was helped by our diversified portfolio, particularly resilient healthcare income, which partially offset rental decline in residential, office and retail. Rental income decreased by 8.7% to £131.8 million with revenue profit before tax falling 18.0% to £63.6 million. The fall in rental income had a greater impact on profit performance as our operating costs were largely the same as the preceding year. Non-essential expenditure was reduced, but the Group's largest items of expenditure are property and payroll costs, with the former increasing and the latter largely unchanged. Despite the pressure on income, it was important to make sure that the quality of our buildings and operating performance were maintained.

Property valuation overall declined by 2.8%, but with significant variability across the sectors. Retail and leisure fell 27.3% whilst healthcare increased by 10.4%. Movements in office, down 8.2%, and residential, down 3.3%, were generally in line with changes experienced in these asset classes in central London. On a like-for-like basis, property valuations fell by 4.9%.

A summary of financial performance is provided on pages 24 and 25.

Outlook

Whilst infection rates have spiked over the summer months because of the Delta variant of COVID-19, it is becoming clear that the UK's expeditious programme of vaccination is breaking the link between infection, serious illness, and death. This evidence has allowed the Government to recently withdraw the remaining restrictions, including the default option to work from home where possible. For economic recovery to succeed we need strong cities with safe public transportation.

Howard de Walden is committed to reinvigorating Marylebone Village and will continue to take safe steps to increase footfall, which includes seeking a permanent pedestrianisation of Marylebone Lane. We remain committed in the long term to retailers intent on providing a quality service to our resident community, which draws custom from elsewhere because of their unique appeal.

Opinions on the future of the office differ widely, and the feature of many thought-leadership articles. We recently introduced our own hybrid solution and I expect others to do the same. Remote working viability varies widely by role, skill and sector. I expect those employers that prosper will offer the most flexibility to their employees, with fixed only options, whether permanently at home or exclusively in the office, likely to be the least attractive choice.

Whilst the future is more uncertain than it has been for many years, we are embarking upon a strategic assessment of our properties and our key sectors. The acceleration of pre-existing trends during the pandemic makes investment decisions more difficult, particularly as leases shorten and obsolescence increases. Planning our investment strategy, whilst working towards a net carbon neutral future, is a major priority for the business.

Approval
The Strategic report covering pages 2 to 41, was approved by the Board of Directors on 17 August 2021 and signed on its behalf by:

Mark Kildea
Chief Executive

Property performance

Rental income	2021 £m	2020 £m	Change %
Healthcare	**50.4**	47.9	↑5.2%
Residential	**29.1**	31.9	↓8.8%
Office	**28.7**	33.7	↓14.8%
Retail and leisure	**14.1**	20.5	↓31.2%
Educational	**7.3**	7.5	↓2.7%
Other	**2.2**	2.9	↓24.1%
	131.8	144.4	↓8.7%

A more detailed overview of our four biggest sectors can be found on pages 8 to 23.

COVID-19 had a significant impact on the Group's rental income, down 8.7%.

Healthcare rental income increased by 5.2%, the only sector experiencing growth, buoyed by strong demand for space.

Page 10

Income from our Residential sector decreased 8.8% with increased voids as demand for city living temporarily dropped.

Page 14

Office income is down £5.0 million on last year as occupiers started to review their space requirements.

Page 18

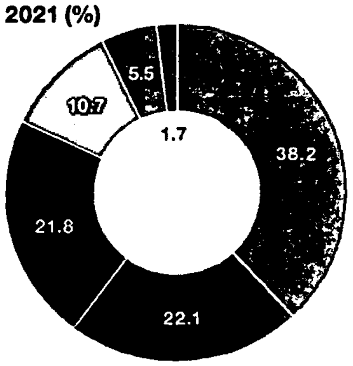
Rental income down 31.2% from our Retail and leisure portfolio as the pandemic severely affected occupiers in the sector.

Page 22

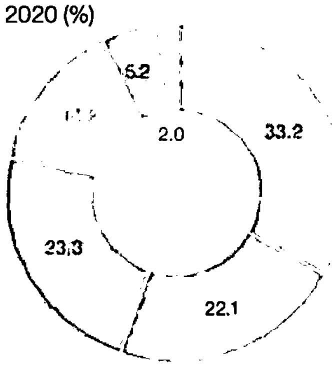
Despite a small drop, down 2.7%, the Educational sector continues to provide a robust source of income.

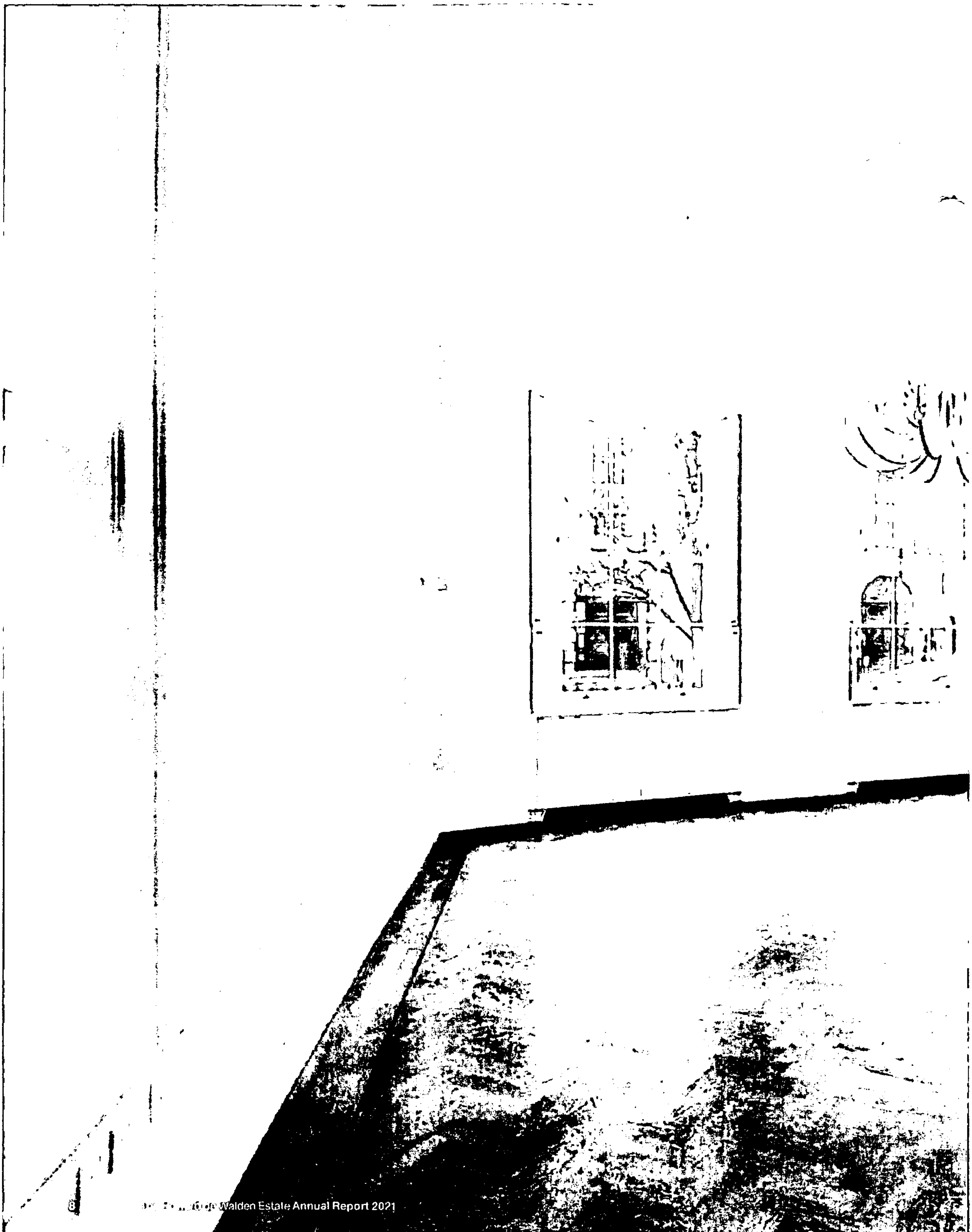
Percentage of rental income by sector (%)
Healthcare
Residential
Office
Retail and leisure
Educational
Other

2021 (%)



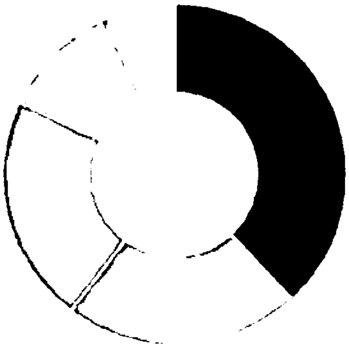
2020 (%)





38.2%

RENTAL INCOME
2020: 33.2%



£1,747.2m

VALUATION
2020: £1,583.1m

£50.4m

RENTAL INCOME
2020: £47.9m

↑5.2%

CHANGE IN RENTAL INCOME
2020: ↑11.4%

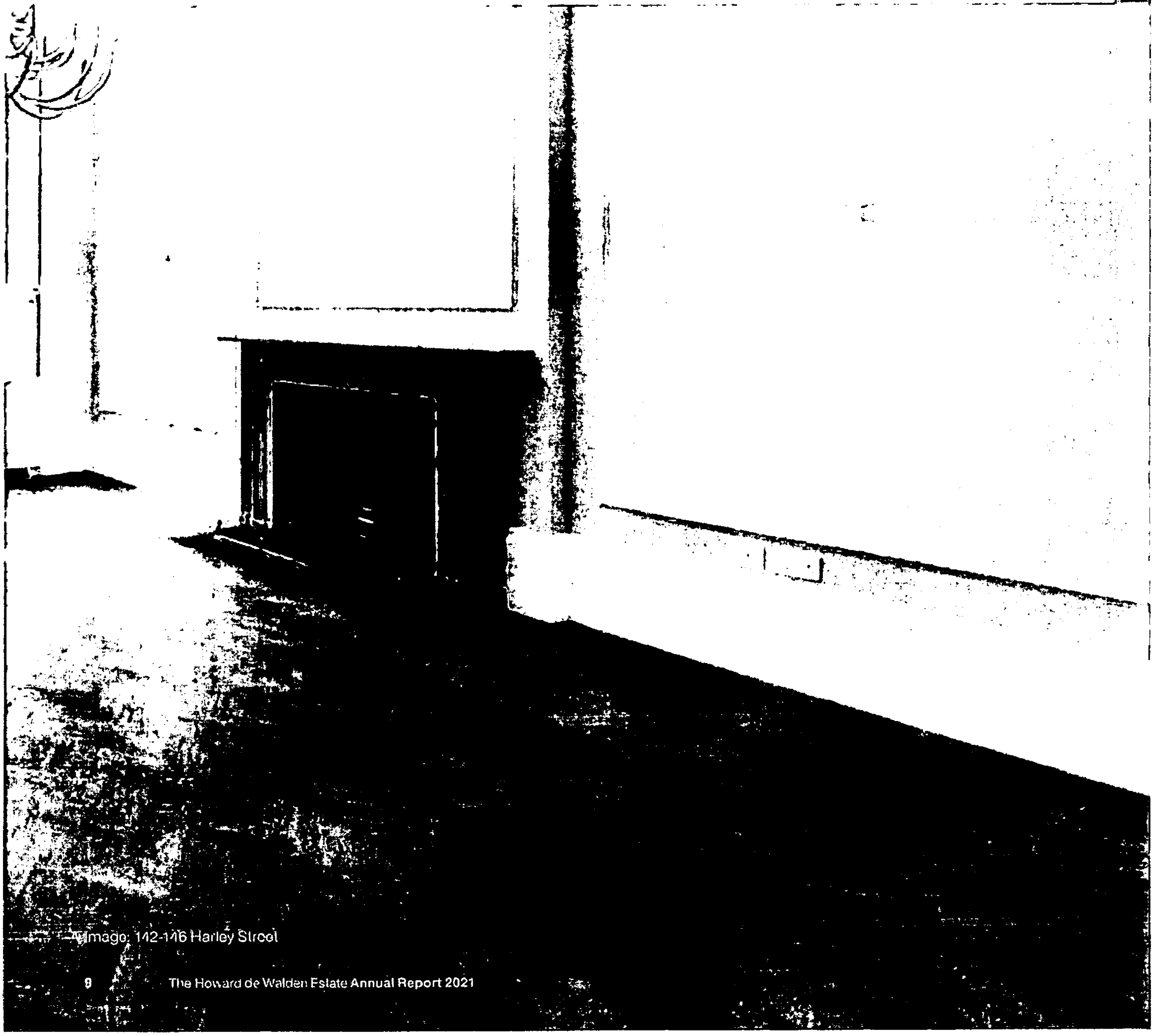


Image: 142-146 Harley Street

Property performance

Healthcare

Healthcare income totalled £50.4 million, an increase of £2.5 million. This represents 38.2% by income and 38.4% by value of the total portfolio. The rental performance of our Healthcare portfolio increased by 5.2% and the like-for-like valuation has risen by 5.8%. Healthcare is our largest source of turnover and strong demand for space has resulted in continued income growth in the portfolio despite the pandemic. Occupancy levels remained high all year and reached 98% at the year end for lettable space, with the majority of the remaining total under offer. The results have reinforced the countercyclical nature of healthcare income which has remained robust during the pandemic.

The healthcare sector, like all areas of the economy, was impacted by the pandemic. Fortunately, the majority of the healthcare providers on the Estate were able to remain open and operating for most of the year, whilst working within the restrictions of COVID-19 secure environments. Many of our tenants reported a large reduction in the number of overseas patients due to the restrictions on international travel. We were immensely proud that the largest hospitals on the Estate, and facilities in the Harley Street Medical Area, continued to undertake emergency and urgent treatment to support the NHS during the year.

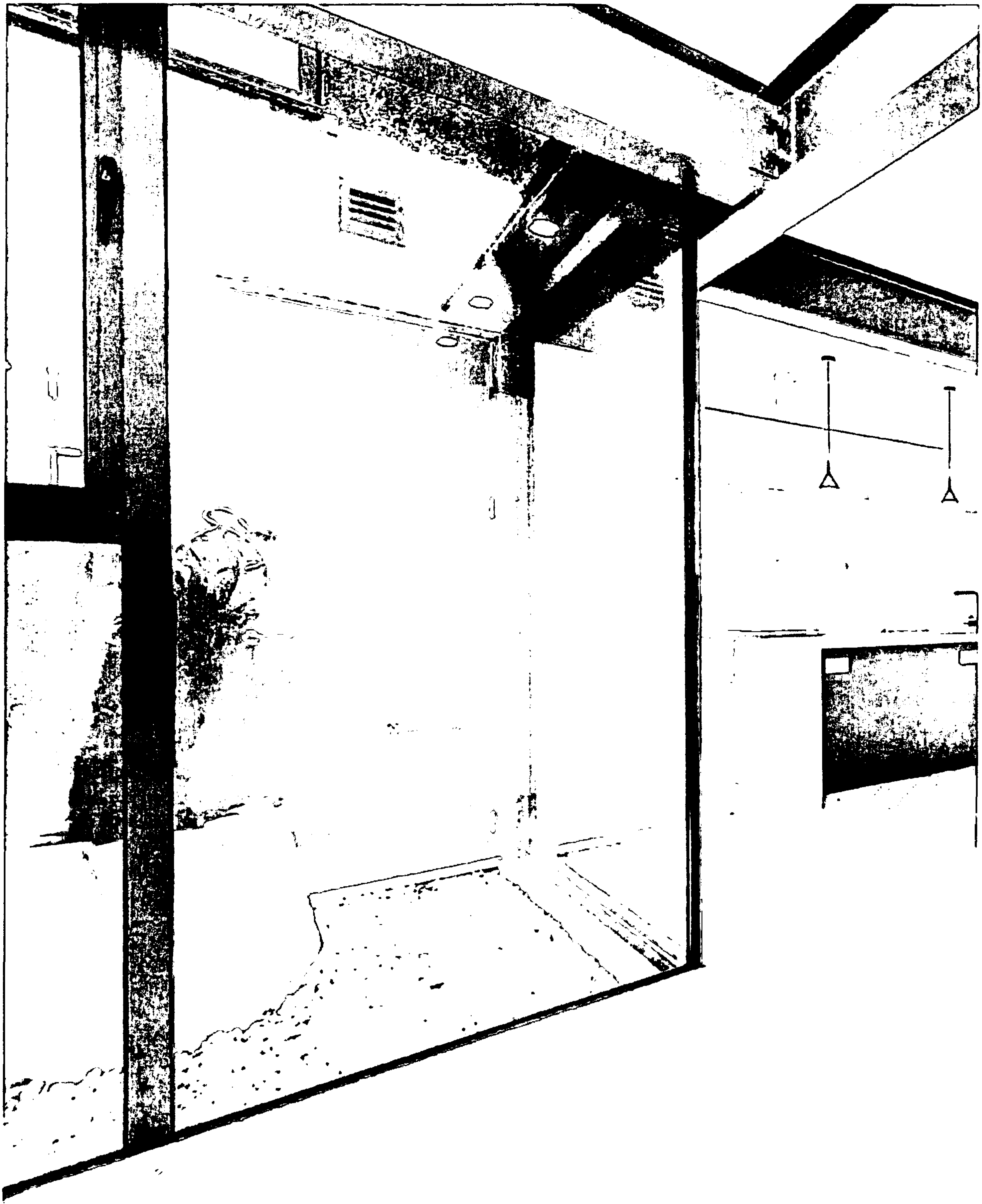
Our development pipeline has delivered significant healthcare and medical space during the year. Our largest completed development was 142-146 Harley Street (15,556 sq ft) where we purchased the long leasehold interest over 2 years ago. What was a poorly configured building has been carefully redesigned, incorporating the mews houses to create a specialist facility. The building is let to The London Clinic on a long lease.

In addition, we completed the development in early 2021 of 73-75 Harley Street (10,500 sq ft). This is a building designed for multiple occupancy with nearly all suites already let to specialist practitioners, including RW Perio Limited (periodontology), Dr Bader Medical Institute (gynaecology) and Dr Haus Dermatology (dermatology). Both developments demonstrate the creation and delivery of in-demand space to leading healthcare providers whilst respecting and protecting our heritage buildings.

The successful delivery of medical buildings requires working closely with hospitals and clinics to ensure they reflect the evolving requirements of healthcare providers and the patient pathways. One such development is the construction of the Kantor Medical Centre for King Edward VII's Hospital, which will be used for consulting and diagnostic purposes to complement their main hospital directly opposite on Beaumont Street. Whilst acknowledging the sizeable challenges in delivering the scheme during COVID-19, this will be a significant addition to the healthcare provision on the Estate in the second half of 2021.

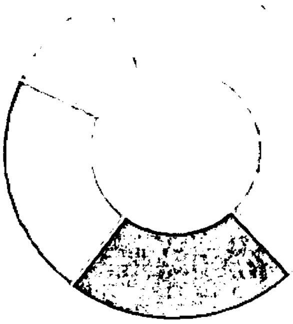
75 Harley Street

Bodyset, 42 Harley Street



Strategic report
Property performance
Residential

22.1%
RENTAL INCOME
2020: 22.1%



£1,242.5m
VALUATION
2020: £1,284.8m

£29.1m
RENTAL INCOME
2020: £31.9m

↓8.8%
CHANGE IN RENTAL INCOME
2020: ↑5.6%

RESIDENTIAL

Image: Devonshire Mews South

Property performance
Residential

Residential income was £29.1 million, a decrease of £2.8 million and 8.8% below last year. This decrease in income has been driven by the pandemic. Whilst the rental performance was significantly impacted, the valuation of our residential properties fell from £1,285 million to £1,243 million. This was a decrease of 3.3% in absolute terms, however after adjusting for disposals and capital additions, the like-for-like movement was a fall of 3.5%. Residential values have flattened since the central London market peaked in 2014 after sharp increases in stamp duty land taxes, although values in Marylebone and the West End have remained strong relative to neighbouring boroughs. Despite the immediate impact to rental values, capital values for residential properties remained strong within London, resulting in a small decrease compared to the movement in rental income.

The pandemic had a sudden but potentially short-lived impact on our Residential portfolio. Whilst rent collection rates remained strong through the year, vacancy rates rose significantly. As the sector has shorter term leases, the impact of downturns is immediate. Some residents exercised their rights to break or not renew their leases to allow them to move out of London whilst Government work from home guidance was in place. In addition, the number of overseas students renting properties fell due to travel restrictions and a shift to online lectures and tutorials. This resulted in a significant number of units coming back to the Group which then required refurbishing.

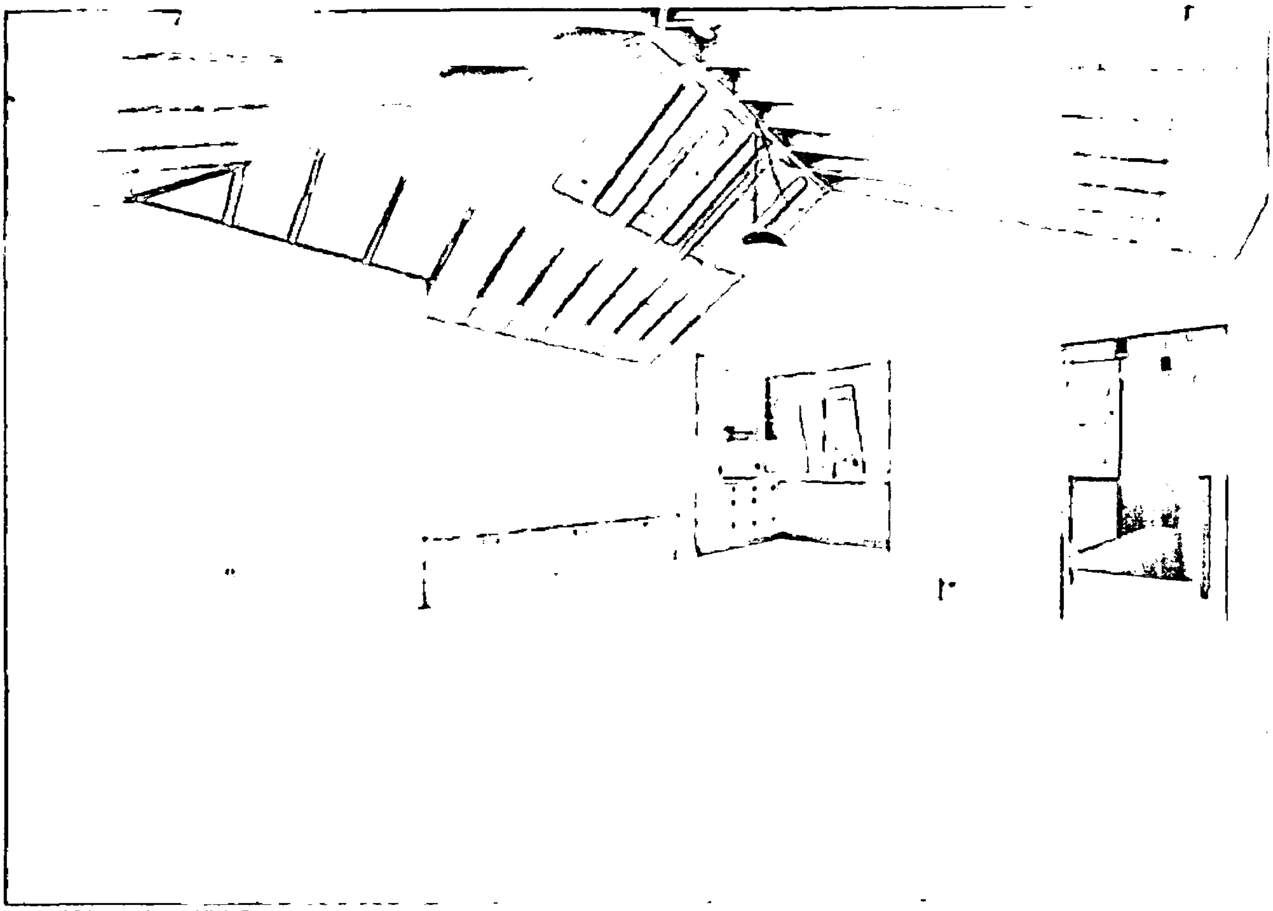
Due to similar vacancies recorded in competing rental portfolios across London, increased supply was evident for most of the year. Consequently, rental values experienced pressure when compared to the previous year, as prospective tenants had a wider range of accommodation to choose from. Our focus has been to reduce voids and secure longer-term income where possible. As Government restrictions have eased, we have seen the demand for residential flats increasing and in turn vacancy levels reducing, with strong rental growth being achieved closer to pre-pandemic levels.

Whilst we have seen increases in vacant units during the year, we have continued to look at ways to improve the services that we offer to residents. Despite the lockdown restrictions, we continued to support our residents by having an on-site maintenance team based on the Estate. The remainder of the team balanced remote and in-office working, depending on the customers' needs, whilst maintaining safe social distancing in line with guidelines.

With the work from home guidance in place across the UK, the decision to install fibre direct to all of our residential premises in partnership with G.Network in 2020 became more important than ever for our existing and future residents. All our homes are expected to have this connectivity in place by mid-2022. This service is inclusive in the rental income.

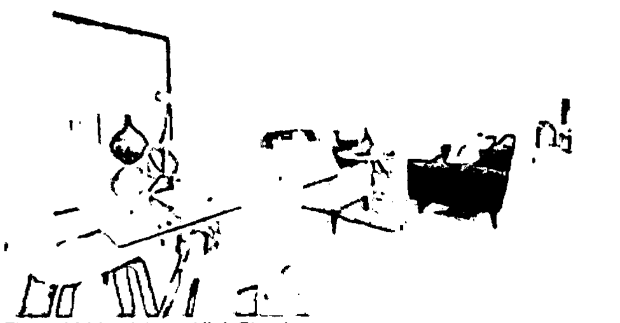
Results from our customer survey shows overall satisfaction with the experience of renting from Howard de Walden remains high at 88% (2020: 85%).

In common with last year, we did not purchase any residential property but continue to refurbish our existing stock to the standards expected for Marylebone. Good examples of this are the flats at Stone House (9-11 Weymouth Street), 9 Devonshire Mews South and 83-92 Marylebone High Street which are expected to be ready to let shortly.

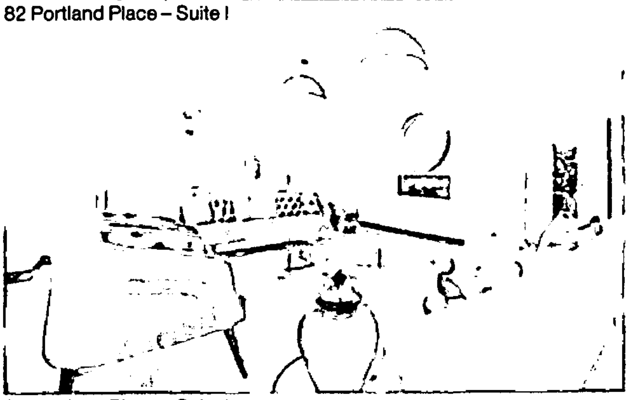


Flat 3, 85 Marylebone High Street

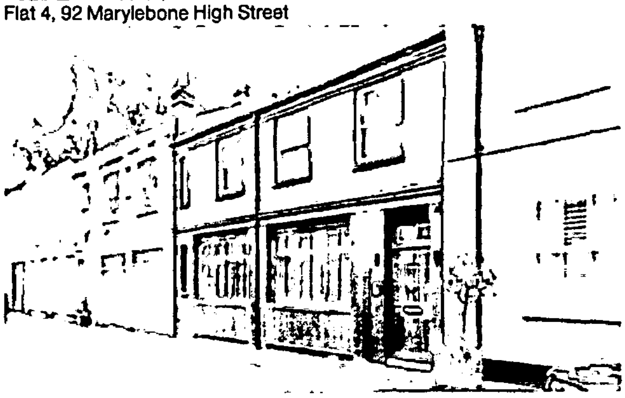
82 Portland Place – Suite I



Flat 4, 92 Marylebone High Street



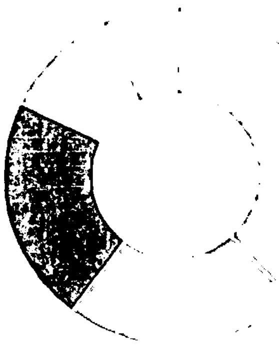
82 Portland Place – Suite I



9 Devonshire Mews South

Property performance
Office

21.8%
RENTAL INCOME
2020: 23.3%



£907.7m
VALUATION
2020: £988.8m

£28.7m
RENTAL INCOME
2020: £33.7m

↓14.8%
CHANGE IN RENTAL INCOME
2020: ↑11.8%

Image: 2 Cavendish Square terrace

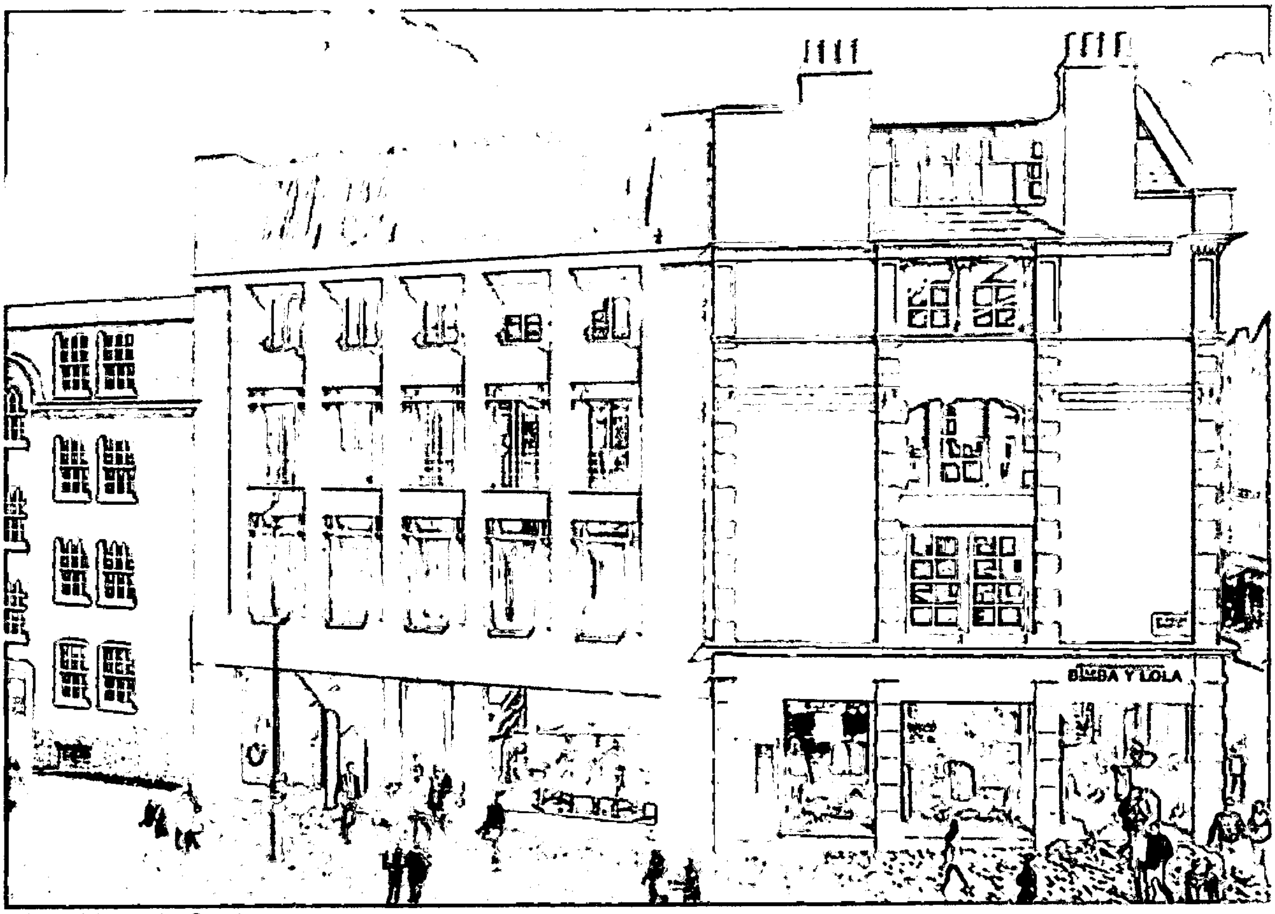
Office income totalled £28.7 million, a decrease of £5.0 million. The office portfolio represents 21.8% by income and 20.0% by value of the total portfolio. The rental performance of our Office portfolio decreased by 14.8%; the like-for-like valuation has fallen by 10.0%.

The use of the office has been threatened by better than expected work from home agility driven from Government work from home guidance. Many companies have remained away from their offices even as restrictions have been slowly lifted. This has been no different for many office occupiers in Marylebone.

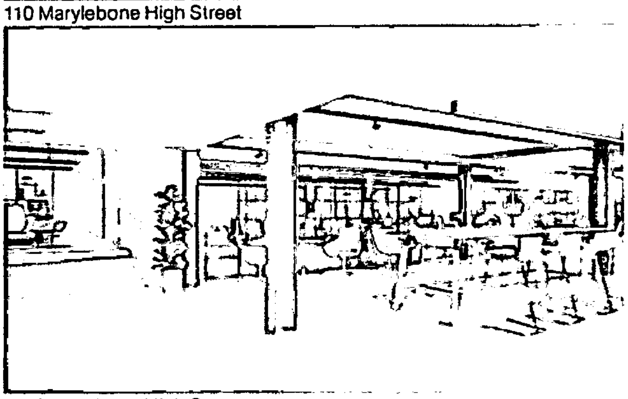
The last year has seen a divergent market emerge, with low vacancy levels and strong demand for Grade A office stock in the West End whilst demand for secondary and tertiary grade product has significantly reduced. The uncertainty around how people will work once the pandemic is over has only accelerated the home/office, work/life balance question, which has meant many companies are unwilling to make commitments to long leases, without significant lease incentives and early break options. At the end of 2020, availability across central London was at its highest level since the dot-com crisis in 2004, with second-hand availability exceeding the long-term average, representing 75% of all supply.

This shift in demand did see a number of our tenants not renew leases or look to exercise their break clauses. With our increased void rate, it is paramount that we develop the right product for a sector that is in a period of rapid change. We have developed a strategy to tailor buildings to different occupational styles, thus responding to demand as it has moved to hybrid models before and during the pandemic. Our largest development to complete during the year was 110 Marylebone High Street, which attracted significant interest and demand culminating in all the floors securing lettings shortly after practical completion. Demand for our Grade A space was also seen at 2 Cavendish Square where five floors totalling around 18,000 sq ft were let to leading healthcare provider HCA UK.

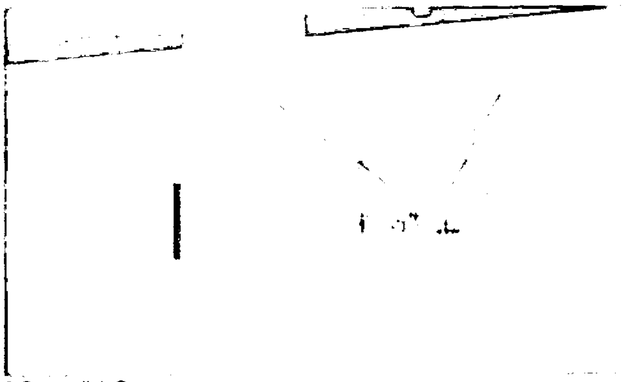
The future of the office has received an inordinate level of speculation amplified by the impact of COVID-19. One of our main areas of letting activity currently is relocating existing tenants who are reconsidering their office needs following the pandemic. Demand for space between 500-1,500 sq ft has grown, which has led our property teams to look at splitting existing floor plates. Examples where this has been successful are 36/38 Wigmore Street and 23/24 Beaumont Mews. We have usually provided office space on traditional lease terms but continue to explore repurposing some of our properties to provide more flexible offerings such as fitted out space or short-term all-inclusive leases. This will attract tenants to the area who require the flexibility that these types of solutions offer. Being able to identify permanent changes to working practices, over those that are only temporary, will allow the Group to deliver a successful pipeline of office space in to the market and is core to our strategy.



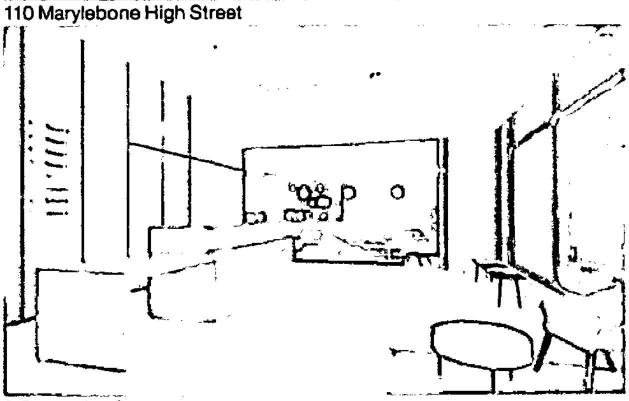
110 Marylebone High Street



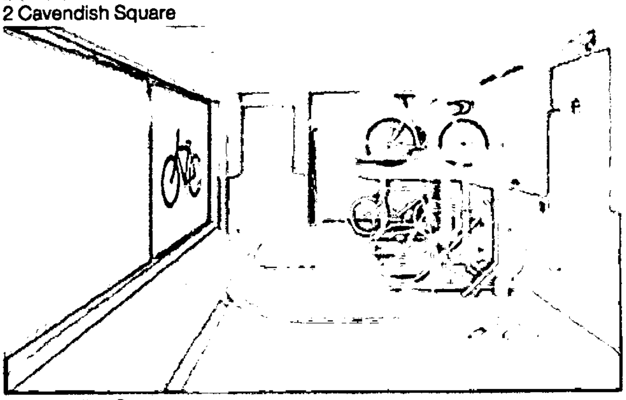
110 Marylebone High Street



2 Cavendish Square



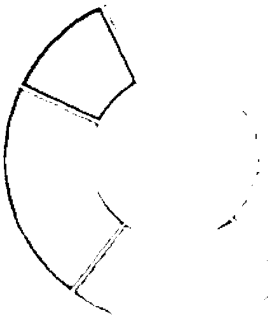
2 Cavendish Square



2 Cavendish Square


MARYLEBONE
LANE W1
ASSERIE

10.7%
RENTAL INCOME
2020: 14.2%



£436.8m
VALUATION
2020: £600.5m

£14.1m
RENTAL INCOME
2020: £20.5m

↓31.2%
CHANGE IN RENTAL INCOME
2020: ↑3.0%

Image: 108 Brasserie, Marylebone Lane

Retail and leisure income totalled £14.1 million, a decrease of £6.4 million, and represents 10.7% by income and 9.6% by value of the total property portfolio. The rental performance of our Retail and leisure portfolio plummeted by 31.2% and the like-for-like valuation has fallen by 27.7%. The performance of our portfolio has traditionally been resilient, bucking the national trend where conventional shops have closed as consumers have increasingly moved online. The pandemic has accelerated this trend, as overnight retailers were forced to close with all non-essential purchases moved online. The stop-start nature of the subsequent lockdowns, alongside the general decline in footfall on the high street and social distancing guidelines, has also made it extremely difficult for retailers to generate anywhere near the same pre-pandemic turnover at any point during the year.

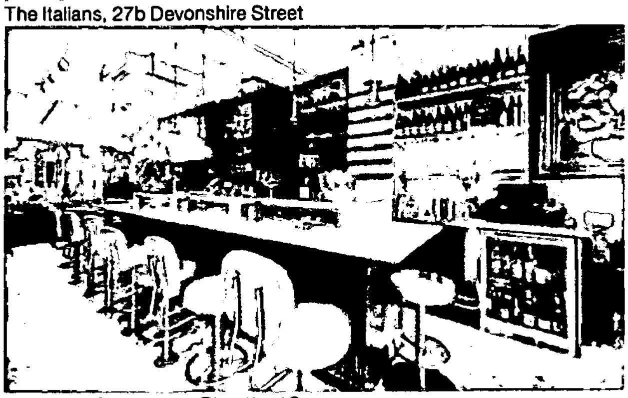
A large focus this year has been working with our retailers to assist them through this difficult and uncertain period. As the first lockdown was announced, we contacted all of our retailers to offer support during that initial period of uncertainty. This direct, open book approach meant that conversations were started early with many retailers allowing their businesses to plan as far as possible and ensure that the challenge was shared. This approach ultimately served us well as the pandemic lasted longer than anticipated. Initiatives during the year included moving some food and beverage retailers to turnover based rents and a timed closure of Marylebone Lane to assist with outdoor seating arrangements for restaurants. Support was offered on a case-by-case basis to the businesses most badly affected, where rent concessions and payment plans were provided, but with limited deferment arrangements.

Despite these initiatives, we experienced our share of fallout from the impact of the pandemic on retailers. Eileen Fisher, the American womenswear designer, exited the UK resulting in the closure of their Marylebone High Street store. The year also saw the closure of established retailers on the High Street, including LK Bennett and Boots, whilst The Natural Kitchen, a deli and restaurant, entered administration.

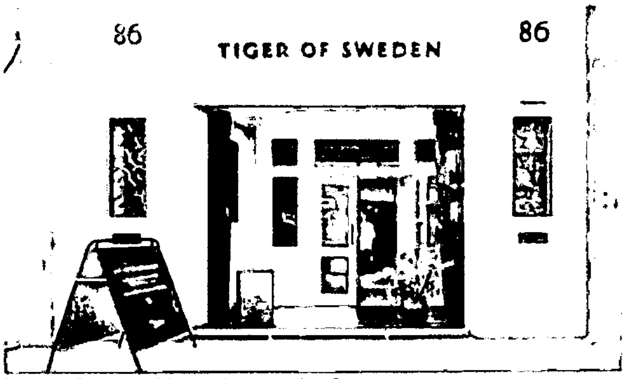
Nevertheless, our stores on Marylebone High Street have continued to attract strong occupier demand. This was reflected by lettings and store openings to established fashion and eyewear brands Tiger of Sweden and Ace & Tate. In addition, we were also able to attract a range of new operators to open stores including The Organic Pharmacy, The Italians (wine and deli shop), EVOKE (craft shop) and Home Marylebone (bar and restaurant). This strong demand for space in Marylebone Village saw the opening of an Ottolenghi deli on 1 July on Marylebone Lane.

We will monitor our support for retail and hospitality operators and residents as they recover from the effects of the pandemic. We understand that although the Retail and leisure portfolio is the smallest of our four core property sectors, it is the most accessible and visible, providing the thriving environment that positively influences a decision to live or locate a business in Marylebone.

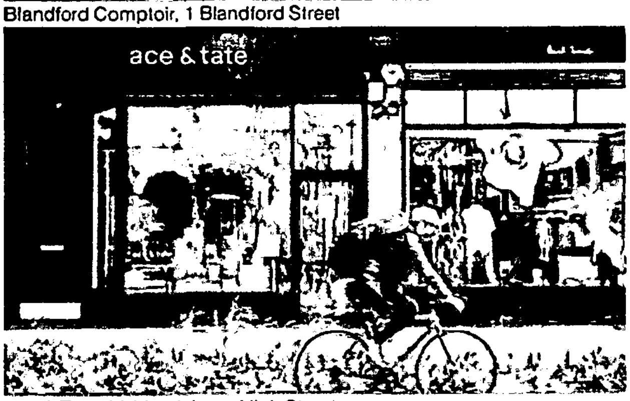
The Italians, 27b Devonshire Street



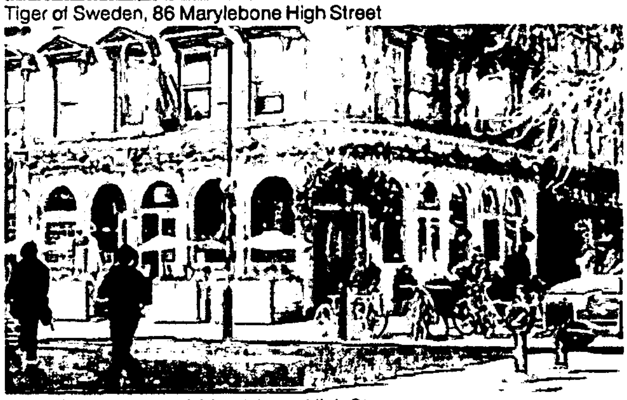
Blandford Comptoir, 1 Blandford Street



Tiger of Sweden, 86 Marylebone High Street



Ace & Tate, 39 Marylebone High Street



Home Marylebone, 79 Marylebone High Street

Financial performance

Overview

Our key indicator of financial performance is revenue profit before tax, as it excludes the variable impact of gains and losses on disposals and the annual revaluation of assets and liabilities. This year's revenue profit before tax is £63.6 million, a decrease of 18.0% on the level achieved last year (2020: £77.6 million). With the pandemic affecting profitability and a larger loss arising from the lower valuation of investment properties, the Group made a headline loss before tax of £101.8 million (2020: profit of £46.2 million). The reconciliation from headline profit to revenue profit is set out on page 25.

The drivers of revenue profit are our ability to grow rental income and to maintain efficiency on operating and borrowing costs. COVID-19 had a significant impact in terms of growing rental income and we took action to counter this through cost saving measures where possible. Rental income decreased by £12.6 million, from £144.4 million to £131.8 million. Our property and administrative costs increased by £0.9 million, from £45.5 million to £46.4 million, due to an increase in the bad debt provision. The net result is a decrease in performance profit, from £100.0 million to £87.3 million. Net finance costs increased from £22.2 million to £23.7 million. The average amount borrowed was £667.1 million, an increase of £37.2 million from the previous year (2020: £629.9 million). The average rate paid on borrowings was 3.6%, the same as last year. Year end borrowings remained unchanged at £667.1 million* with the new private placement completed in the year subject to delayed drawdowns. During the year, we did not exercise an option to extend our revolving credit facility by a further year. Post year end, we took the opportunity to renew our facility, increasing the amount available to £150.0 million. The term of the facility is unchanged, expiring in December 2024, however there are two annual extension options, in 2022 and 2023, allowing the facility to be extended up to December 2026. These extensions will be subject to credit approval from the bank lenders and the payment of a fee.

At 31 March 2021, the Group's average debt maturity was 13.8 years (2020: 13.4 years). The level of net borrowing to net assets, the gearing ratio, increased from 18.3% to 19.2%. However, this remains a very conservative level of borrowing. The Group's low level of borrowing is comfortably supported by interest cover of 3.7 times (2020: 4.5 times).

Rent collection

Overall portfolio rent collections for the year averaged 90%. The residential tenancies averaged 97% for the year, marginally below normal operating level. The outstanding amounts contain elements of rent deferrals which are expected to be recovered. Healthcare tenancies averaged 94%, and our office tenancies averaged 91% for the year. These are both slightly down on normal trading levels. Elements of both our healthcare and office tenants requested payment plans outside of their normal lease terms which accounts for part of the outstanding amounts. The retail tenancies, which have been impacted the most by COVID-19, averaged 69%. Much of the outstanding amount has either been waived in the form of a concession or deferred. The accounts include a provision of £5.3 million (2020: £2.5 million) against outstanding amounts where there is a risk of non-recoverability.

Dividend

In light of the impact of COVID-19 on profitability, reduced ordinary dividends of £25.5 million were paid, a decrease of 31.5% on last year (2020: £37.2 million).

Valuation

At 31 March 2021, the Group's investment properties were valued at £4,546 million, a fall of 2.8% overall, with a decrease of 4.9% on a like-for-like basis. The decrease in value is driven by the downwards revaluation movement exceeding the acquisitions and capital refurbishment work. The two most valuable portfolios are healthcare at £1,747 million and residential at £1,243 million.

Acquisitions and disposals

The Group acquires property to unlock long-term value from either adjacent ownership or active management, and to maintain sector diversity, utilising our specialist understanding of the Marylebone property market. During the year, we did not seek to complete any notable purchases due to the uncertainty in the market as a result of the pandemic. During the year we received £21.3 million from the disposal of property interests, largely from enfranchisement related sales.

Financial performance since 31 March 2017

The Group's rental income has increased by 11.9% from £117.8 million to £131.8 million. In the same period, revenue profit before tax has decreased 6.1% from £67.7 million to £63.6 million. The value of the Group's investment properties has risen by 7.3%, from £4,237 million to £4,546 million, an increase of £309 million. In the same period, shareholders' funds increased by 2.1%, from £3,210 million to £3,277 million.

Andrew Griffith
Chief Financial Officer

*At forward contracted rates (see page 73 to 74).

£63.6m
Revenue profit before tax decreased 18.0% from last year's £77.6 million.

↑7.3%
The increase in the value of investment properties since 31 March 2017.

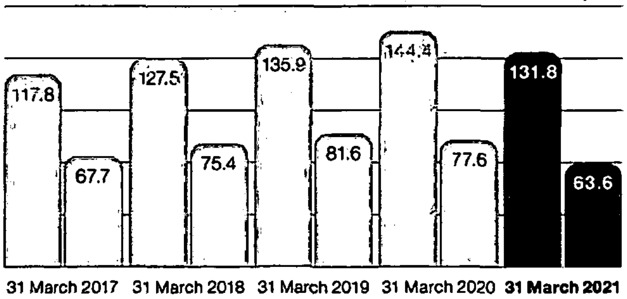
↑11.9%
The increase in rental income since 31 March 2017.

£3,277m
At 31 March 2021, the value of the Group's shareholders' funds.

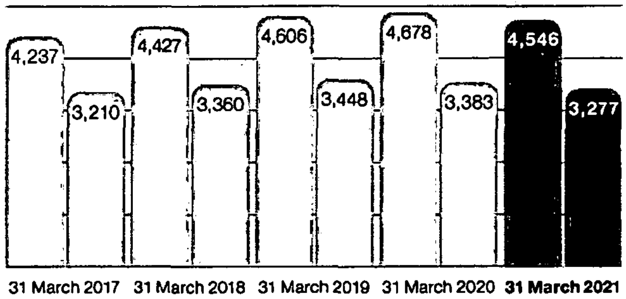
↓2.8%
Decrease in the value of investment properties this year.

£21.3m
Proceeds received from the disposal of property interests in the year.

Rental income £m
Revenue profit before tax £m



Investment properties £m
Shareholders' funds £m



Financial performance	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m	Change £m	Change %
(Loss)/profit before taxation	**(101.8)**	46.2	(148.0)	↓320.3%
Adjustments:				
Loss on revaluation of investment properties	**160.6**	47.7	112.9	↓236.7%
Profit on disposals	**(3.0)**	(2.0)	(1.0)	↓50.0%
Loss/(gain) on fair value of derivatives	**32.8**	(26.5)	59.3	↑223.8%
(Gain)/loss on foreign exchange	**(25.0)**	12.2	(37.2)	↓304.9%
Revenue profit before taxation	**63.6**	77.6	(14.0)	↓18.0%

Valuation	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m	Increase/ (Decrease) £m	Change %
Healthcare	**1,747.2**	1,583.1	164.1	↑10.4%
Residential	**1,242.5**	1,284.8	(42.3)	↓3.3%
Office	**907.7**	988.8	(81.1)	↓8.2%
Retail & leisure	**436.8**	600.5	(163.7)	↓27.3%
Educational	**173.5**	177.3	(3.8)	↓2.1%
Other	**38.5**	44.0	(5.5)	↓12.5%
	4,546.2	4,678.5	(132.3)	↓2.8%

Principal risks and uncertainties

Management of risk

The Group is a long-term investor focused on high quality assets in Marylebone and seeks an effective balance in its risk appetite to take advantage of opportunities to gain from investment, continuing long-term growth in rental income and profitability whilst maintaining our reputation. It is recognised that geographic concentration, exposure to property market cyclicality and operating heritage buildings carries risks which cannot be eliminated or entirely mitigated at an acceptable cost, therefore, the Group maintains a diverse portfolio and low financial risk.

Risk management structure

The Board has overall responsibility for risk management and the Audit Committee, semi-annually, reviews the Group's key risks, the effectiveness of current risk controls, and planned improvements. Risk assessment and reporting are designed to provide the Board with a Group-wide and consistent perspective of the key risks.

Members of the Executive Committee identify and have oversight of risks and controls relating to their areas of responsibility and are informed and supported by the Senior Management and Risk Teams. Further control actions are discussed at Executive Committee meetings. Daily control of risk is managed by the Senior Management Team and Department Heads with the Risk Team co-ordinating risk register activities. The risk register is formally discussed and approved at Executive Committee meetings.

Principal risks and uncertainties

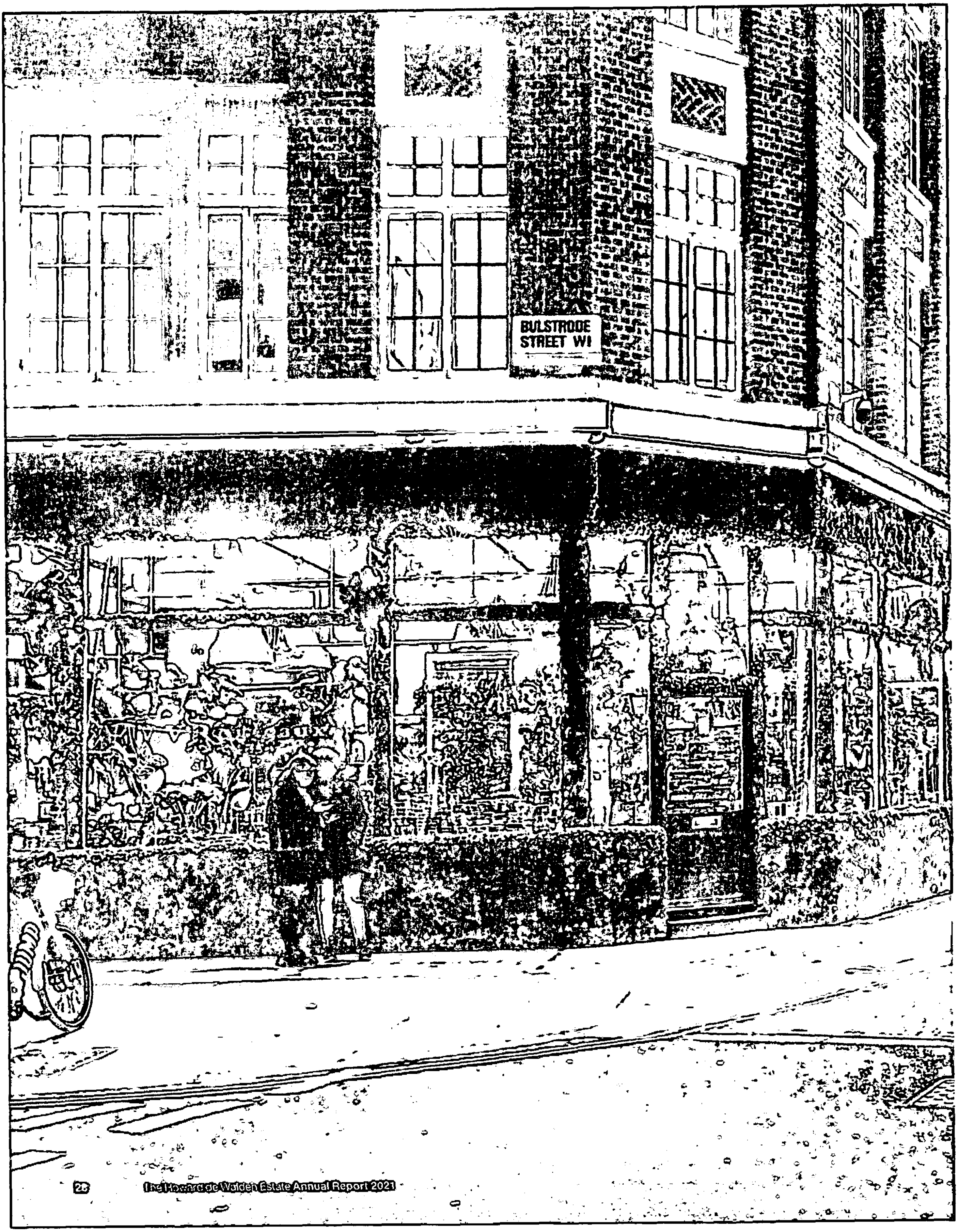
Risk landscape is constantly changing, and the Group is evolving its methods to provide visibility, responsibility, control, and resolution in its risk management framework. During the year, a consolidation exercise was undertaken to ensure focus can be directed to the key group level risks to the business. The most significant risks to strategy, financial position or future performance are summarised in the adjacent table.

Principal risks

1. Attractiveness of Central London	For historic and strategic reasons, the Group portfolio is concentrated in Marylebone. This high-profile location increases exposure to macro-economic impacts, political risks and economic instability. These risks are outside the control of the Group. However it aims to maintain sufficient financial covenant headroom, full reinstatement insurance, including loss of rent cover, and a diversified portfolio to mitigate some of these risks. The Group is a long-term investor in London and cautiously manages its balance sheet to minimise the impact of such events.
2. Delivery of Group strategy	Structural market changes, political and economic uncertainty, changes to planning or sector environments and major legislative changes amongst others, create opportunities and threats to delivering the Group's strategic goals. Close engagement with key stakeholders including customers, agents, peers, and authorities ensures the Group can monitor, receive, and react to information and changes in a timely manner. This protects the value, longevity, attractiveness, and profitability of the Estate.
3. Management of finances	As a long-term investor, the strategic and efficient management of finances is key to delivering sustainable shareholder returns whilst maintaining the ability to transact on opportunities and manage economic downturns effectively. The Group largely funds expenditure from cash generated by its operations with a limited amount of external borrowing minimising its exposure to counterparty failure, interest, and currency rate changes. The Group monitors updates affecting our activities and aims to take advantage of external incentives and to manage the impact of policy changes. In addition, financial risks are monitored in quarterly 5-year forecasts, and strong internal governance frameworks, including management of construction costs. Funding risks are minimised by refinancing debt repayments prior to their maturity, spreading future debt repayments, whilst maintaining high levels of interest rate protection and headroom.
4. Profitable implementation of development strategy	The Group undertakes small to medium size developments on the Estate annually. Delivering profitable development plans can be impacted by a challenging planning environment, changes to safety and environmental requirements, supply chain interruption, and unforeseen project works, leading to cost overruns, delays, and extended void periods. Internal Planning, Health and Safety, Sustainability and Procurement teams offer specialist knowledge to the appraisal process to ensure robust schemes are devised before being committed to. Developments are closely monitored through monthly project reporting on budgets, contractors, and market developments.

Principal risks	
5. Major incident /disaster/crisis	The Group prioritises its duty of care and seeks to identify, prepare for, and react to, major external events such as natural disasters, extreme weather, pandemics or health crises, major utility failure, events in central London including civil unrest and terrorist activity. This allows the Group to minimise the impact to health and wellbeing of its staff and members of the public, disruption to our operations, damage to our assets or the attractiveness of Marylebone. The Group engages with security and public health risk intelligence, mobilises a task force if required for incident response, and has full insurance cover in place to mitigate these risks.
6. Serious health and safety incident or major non-compliance with legislation	A serious health and safety incident, accident, failure of controls or non-compliance with legislation could cause loss of life/life changing injury, environmental pollution, enforcement action, reputational and/or financial loss, significant damage to property or building obsolescence. The Health and Safety team maintain a legal register and report on progress with strategic plan activities and compliance with current and upcoming legislative changes. Direct suppliers are required to comply with a third-party approval scheme whilst construction sites are subject to regular audits.
7. Climate change and decarbonisation	The need to decarbonise our business increases the cost of our activities as the Group needs to retrofit buildings to improve their sustainability credentials, install costly low carbon technologies or risk steep carbon taxes in the future. Failure to meet the climate challenge or falling short of increased regulation and rising customer expectations around environmental performance, could reduce the demand for the buildings the Group owns, causing significant reputational damage and result in potentially stranded assets. The Sustainability team monitors and adapts to policy and government objectives including signing up to science-based carbon reduction targets. Requirements and Group targets are considered in all refurbishments and developments where the Group aims to exceed current EPC requirements.
8. Optimisation of people resources	Delivery of the Group strategy relies on our ability to attract, motivate, develop, and retain key staff including planning for succession and ensuring adequate resource, knowledge, and diversity at all levels. Failure to optimise resources could result in insufficient capacity and skill to deliver our business plan, knowledge drain, increased staff turnover, increased costs, and reputational damage. Annual employee engagement surveys and appraisal processes are key tools in identifying opportunities and these are discussed by the Executive Committee along with human resource requirements, remuneration packages and information from salary benchmarking. The Group has a Diversity and Inclusion Committee and wellbeing initiatives to support its staff.

Principal risks	
9. Cyber-attack and information security breach	The disruption of access to systems, theft, loss, or exposure of data due to a cyber-attack or internal controls failure could result in business interruption, reputational damage, or financial loss. The Group's IT infrastructure and data is stored in the Cloud. This is replicated between two data centres and the incident recovery plan is regularly tested. A third-party cyber security assessment has been carried out and further threats and exposures are reported weekly and actions considered at Executive Committee meetings. General Data Protection Regulation (GDPR) and cyber threat awareness training and campaigns are carried out as well as monitoring cyber threat vulnerabilities in our supply chain. The Group carries cyber insurance cover.
10. Optimisation of customer experience	As a steward for the Marylebone area, the Group strives to offer a professional and personal service to customers which is responsive to their needs. Failure to anticipate and understand these needs or ensure the employment of sufficient resource and skill to meet innovation expectations, could result in voids and lost revenue, reduced ability to charge market rents, loss of ground to competitors, short termism, or reputational damage. The Group actively promotes and engages with customers via surveys, various initiatives including our Summer and Christmas events, the Marylebone forum, Harley Street Medical Area (HSMA), Marylebone Village and others.
11. Breach or non-compliance with environmental and other non-health and safety requirements	The evolution of sustainability, social and governance related matters could increase the risk of inadequate controls, knowledge, and training which could lead to reputational and/or financial losses, and impact long-term profitability. Staff training is linked to updates from regulatory bodies and agencies and audits of Modern Slavery and GDPR compliance are carried out periodically.
12. Exposure to property market risks	The Group, through its underlying property investment activity, is exposed to risks arising from property cycles and other short-term market changes. The Group takes a long-term view on property investments and manages its business with caution to minimise the impact of adverse property cycle movements. In addition, the Group looks to maintain a diversified portfolio across and within the retail, residential, office and healthcare sectors to minimise the impact of short-term market changes.


BULSTRODE
STREET W1

While the primary activity of the Group is to operate a property investment and management business capable of distributing a share of its profit to shareholders, we recognise that this is best achieved through running a sustainable, customer focused business.

The Group's Environment and Community Committee (ECC) sets out its approach to environmental, social and governance (ESG) matters.

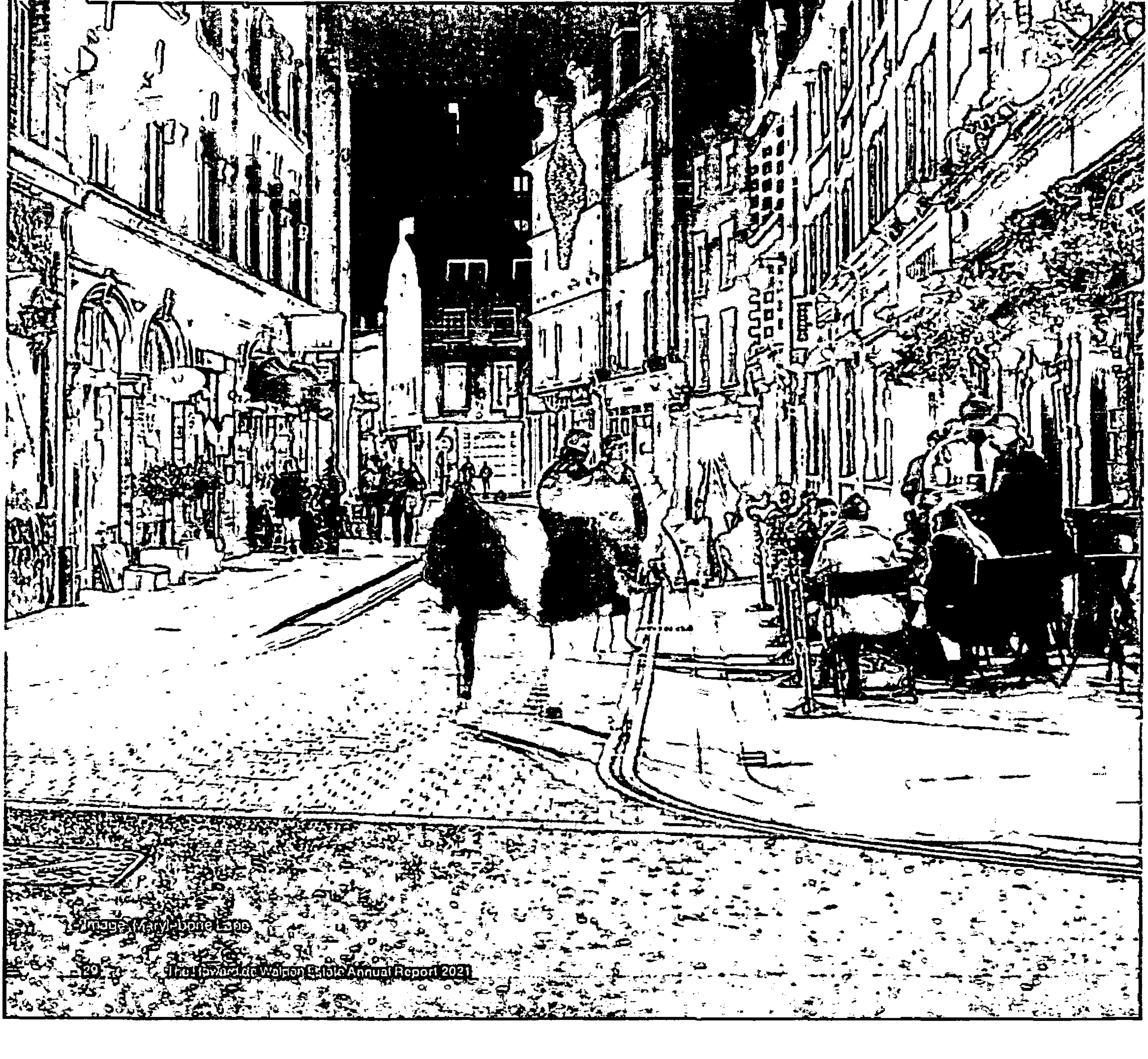


Image: Marylebone Lane

Energy Performance Certificates (EPC)
We are constantly looking to improve the energy performance of our buildings to meet legal requirements as a minimum and, where possible, exceed them. Currently, unless a registered exemption applies, it is unlawful to let or continue to let residential property with an EPC rating of F or G. All our residential properties now surpass this standard with two-thirds rated C or better. For commercial properties there is a requirement that all properties should be at least grade E by 2023, with a possibility of the Government raising this to B by 2030. Most of the units assessed as F and G or unassessed are currently occupied and works are too costly or disruptive to undertake. As part of the ongoing refurbishment programme, as these become vacant, we will undertake works to improve their ratings. Our target is to achieve an EPC B rating on new builds underlining our commitment to higher energy performance. Whilst energy performance certificates do not address operational energy performance, we actively monitor our ratings and during the year we further reduced exposure to F and G ratings with less than 0.4% of our rated portfolio lower than E.

Valuing natural resources
We aim to reduce our environmental impact by minimising the use of new materials in our refurbishment projects and sourcing responsibly when new material is required. We aim for all our timber to come from sustainably certified sources. We are starting to monitor waste and engage with our construction partners to improve waste management practices and data. Retaining and reusing buildings' façades and primary structures is an important feature of our refurbishment schemes. For example, in reworking and extending our own office at 23 Queen Anne Street, we are creating improved office space while retaining much of the original structure and façade, saving considerable carbon emissions, and locking up carbon for many more years. As part of our circular economy approach, this all-electric, BREEAM-rated office has been fitted out with recycled furniture throughout.

Biodiversity
The past year has taught us the importance of access to urban green spaces in providing opportunities for exercise, relaxation and connecting our community. We continue to be proud partners of Wild West End, an initiative which, together with other local landowners, sets out to create a network of green spaces throughout the West End.

We are always looking for ways to introduce new green space and increase biodiversity. Unlike other estates which have parks and gardens, the highly developed nature of our estate means that our focus is on creating green coverage at roof level and through the introduction of street planting where possible. We have numerous planters on Marylebone Lane managed alongside our retailers and on Wigmore Place, our first 'green mews'.

We seek to include green roofs where possible on new developments. In the last year we planted new green roofs at six buildings, including over 80 sq m at 3-4 Bentinck Street. Here, a mixture of over 30 wildflowers, herbs, and flowering perennials have been carefully chosen to attract a wide range of pollinating insects and birds. With outdoor space, an abundance of natural light and bike parking, wellbeing, sustainability and design collide in this office situated in the heart of Marylebone which is powered by an innovative low-carbon ground source heat pump.

Celebrating World Environment Day and promoting green retail
During the year, we were proud to announce the opening of several new sustainable retail brands including Ace & Tate, Evoke and Isabel Manns. These join the line-up of retailers in Marylebone Village, many of whom are already paving the way for more sustainable shopping practices, which includes Allbirds, Dinny Hall, The Organic Pharmacy, Monica Vinader, Theory and The Little Greene Paint Company.

In celebration of World Environment Day 2021 we highlighted the eco-friendly products and businesses in Marylebone Village and offered free British wildflower seeds in over 30 stores having teamed up with independent brand Sow Many Seeeds.

No time to waste
We are starting to monitor waste at both occupied properties and across the development sites and require waste to be sent to waste transfer stations which operate a zero waste to landfill policy, where possible. Across the development schemes that reported, 91% of waste was diverted from landfill.

91%

Seed capital

Our team-up with Sow Many Seeeds to offer free seed packets will encourage our community to plant and grow at home.

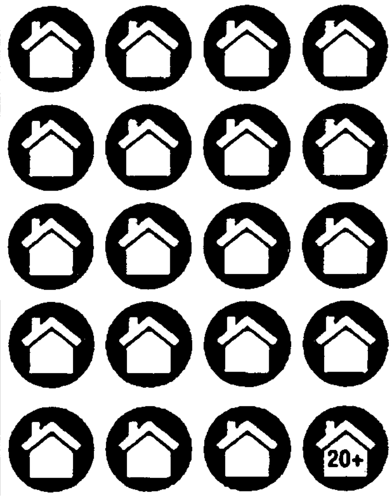
The packets, containing a mix of British wildflower seeds and dried cornflower petals, were stocked in over 30 of our retailers.

30+

Home sweet home
With a dedicated environmental focus from the outset, our recently refurbished all-electric, BREEAM-rated office has been fitted out with recycled furniture throughout and features cycling facilities, a rainwater harvesting system and new green terraces which will house on-site beehives.

We seek to include green roofs where possible on all our new developments, such as 3-4 Bentinck Street where over 80 sq m of wildflower green roof has just been created.

There are now over 20 green roofs across the Estate, totalling over 1,000 sq m with planning consent for over ten more in the coming years.



'Lift off'
Marylebone's dense urban environment often forces our highly experienced teams to come up with creative ways to bring in green space and design for future use. This includes the refurbishment and amalgamation of adjoining buildings at 142-146 Harley Street where innovative 'lift-off' lavender flowerbeds are situated above diagnostic rooms to allow large equipment, such as MRI and CT scanners, to be easily raised in and out of the building.

Streamlined Energy and Carbon Reporting (SECR)

Our SECR disclosure presents our carbon footprint across Scopes 1, 2 and 3, together with an appropriate intensity metric and our total energy use. During the year, our measured Scope 1 and 2 emissions (market-based) totalled 465 tonnes of CO_2 equivalent (tCO_2e), roughly half of the 885 tCO_2e reported last year. This is due to the introduction of a new renewable electricity contract covering all landlord meters. In fact, over 80% of the electricity powering common parts in buildings we directly manage now comes from certified renewable sources. We aim to reach 100% and to explore options for green gas and power purchase agreements.

Our energy consumption slightly increased throughout the year as shown in the table on page 33. This is largely due to some major refurbishment works including 2 Cavendish Square as well as the inclusion of our temporary office space at 27 Baker Street. As the pandemic continued through the financial year, we have also seen more buildings returned and have been impacted by the additional energy requirements. This includes greater ventilation and air conditioning, enhanced air filtration, higher fresh air rates and increased cleaning protocols, which offered further protection but also impacted energy performance. Additionally, to maintain a healthy working environment, most building systems and services had to continue running throughout the lockdowns, even when occupancy levels were down. Working with tenants and deploying systems to divert services to occupied zones only will be key to reducing energy consumption until pre-pandemic occupancy levels return.

Energy efficiency actions

We recognise that we must drive energy efficiency improvements to meet carbon reduction targets. We regularly review existing building management and maintenance practices and investigate opportunities for innovation and optimisation. We are also working on energy reduction action plans for our buildings to help us identify where improvements can be made and where we can work with tenants to reduce energy across the portfolio.

We also undertake improvements and upgrades as part of our ongoing programme of refurbishments and redevelopment activities. For example, the lease of a Grade II-listed, Queen Anne-style home at 34 Weymouth Street ended for the first time in over 20 years and was in need of significant rejuvenation. As well as preserving the building's heritage, the project sought to reduce carbon emissions by introducing a single air source heat pump for heating, hot water and ventilation. New thermal insulation and improved glazing, along with LED lighting, low energy appliances and smart meters and controls, enable the new residents to monitor and avoid energy waste. A green roof was also introduced to enhance insulation, prevent overheating, and encourage wildlife. Together these measures reduced carbon emissions by over 70% while significantly improving the EPC rating.

We aim to incorporate heat recovery systems into all major developments. As well as reducing heating and cooling conflicts, these systems are highly energy efficient and in line with the UK Government's legislation to reduce carbon emissions and the dependency on fossil fuels such as natural gas. This solution was deployed at 110 Marylebone High Street, situated on the corner of Marylebone High Street and Vincent Street, which incorporates modern amenities in a building full of character. New windows, insulation, LED lighting and a state-of-the-art Building Management System fully optimise energy use throughout the entire building whilst allowing for localised control.

Action on Climate

We recognise that we have a role to play in reducing carbon emissions. We have recently signed up to the Science-based Targets Initiative, committing us to halve our Scope 1 and 2 emissions by 2030 and to play our part in keeping climate change within 1.5°C. As part of this we will be extending the coverage of our Scope 3 data to better understand the carbon impact of tenant energy use within our buildings and embodied carbon on our development projects. As a first step towards this we will be setting out how we will become a net zero carbon business by 2040. As a signatory to the UK Green Building Council we, along with almost 100 partner organisations, are sponsoring the creation of a Virtual Pavilion, which will help ensure the property industry's role in reaching zero carbon is heard at COP26.

In addition, we recognise the need to identify how to adapt to climate changes that are already happening. We are working on a voluntary basis towards the recommendations of the Taskforce for Climate Related Financial Disclosure. We recently conducted a climate risk analysis of our portfolio to assess the impact of different global warming scenarios on our buildings and how we can better future-proof our assets. Relevant climate risks and opportunities have been identified and our process for managing and mitigating these are on pages 26 and 27.

SECR disclosure
Total Scope 1 emissions (tCO2e)

416

SECR disclosure
Total Scope 2 emissions (tCO2e) (market-based)

49

	2021	2020*
Total Scope 1 emissions (tCO2e)	**416**	374
Total Scope 2 emissions (tCO2e) Location-based Market-based	 **445** **49**	 511 511
Total Scope 3 emissions (tCO2e)	**989**	1,148
Carbon intensity ratio (tCO2e/m2)	**0.03**	0.05
Total energy use (MWh of electricity & gas)	**4,051**	3,521

These emissions relate to our direct combustion of gas, refrigerant losses (Scope 1) and purchased electricity (Scope 2). This year, we expanded our reporting boundary to include Scope 3 emissions from purchased electricity sub-metered to occupiers, which totalled 875 tCO2e. We attempted for the first time to determine the carbon intensity of the portfolio based on its size (m2) rather than rental income which has little bearing on the efficiency of our buildings. Our emissions intensity for 2021 was 0.03 tCO2e/m2 (Scope 1 & 2 market based). We will endeavour to expand our Scope 3 reporting and data quality in the coming year.
*2020 figures restated in line with 2021 basis of calculation.

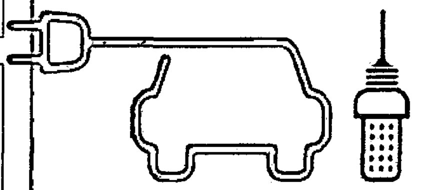
SECR data notes

Boundary	Operational control, based on our corporate activities and property portfolio all of which are in central London (UK) only. We have used the operational control approach for consolidating our GHG emissions; included in this are emissions and energy usage from our managed properties and own office usage. Where we have purchased energy, which is sub-metered to occupiers, this is itemised separately under our Scope 3.
Alignment with financial reporting	The only variation is that our GHG emissions / energy data does not account for single let properties or those not under our management control, as we have no influence over the utility consumption in these buildings. The rental income from these properties is included in our financial statements.
Reporting method	We report our emissions in line with the Greenhouse Gas (GHG) Protocol Accounting and Reporting Standard. Emissions are calculated using the UK government's Environmental Reporting Guidelines and the Greenhouse Gas (GHG) Protocol.
Emission factor source	Updated conversion factors for company reporting published by the UK Government are used for all emissions factors, apart from the Scope 2 market-based factor which is based on the provenance of our electricity supplies which are from renewable sources.
Scope 3 emissions	We use the GHG Protocol Scope 3 Standard to collate and report on our relevant Scope 3 emissions. Our relevant emissions categories include fuel and energy related activities, business travel, water use and emissions from downstream leased assets (tenant emissions).

Energy efficiency actions
We continue to increase coverage of LEDs, motion sensors and smart controls throughout common parts as well as reviewing run times, re-setting time clocks, optimising building management systems, and replacing old and inefficient equipment. Where introduced, such as at 24 Wimpole Street, these measures are anticipated to reduce energy use by over 70%.

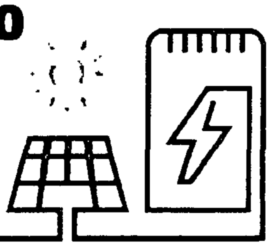
70%

Charging point
We continued to roll out LED lighting and electric vehicle charging points in commercial carparks including Cramer Street and in residential garages, such as Devonshire Mews.

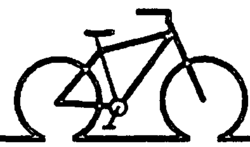


Renewable sources
81% of electricity we purchase is from renewable sources.

81%



Cycle-friendly
As well as low carbon office space, our new occupiers at 110 Marylebone High Street benefit from secure bike storage, lockers and showering facilities. Two new green roofs and an insect hotel also provide new habitat for wildlife.



Our people

Our employees are fundamental to the success of our business and to the delivery of long-term growth in income and value. The Group's employee turnover rate decreased this year to 11% (2020: 12%) and excluding retirement was 9% (2020: 11%). We understand that our ongoing success requires us to attract, engage, retain and grow our talent, along with offering competitive salary, training and benefit packages. We regularly seek employee feedback and have undertaken an annual employee engagement survey to ensure we have a good understanding of how employees feel and what areas we can improve on as an employer. In our latest employee engagement survey, 82% of staff agreed they loved working at Howard de Walden.

We have regular group-wide communication forums and encourage our people to contribute ideas to improve the business. We ensure compliance with employment legislation and actively promote equality and diversity throughout the workplace. This year, a Diversity and Inclusion Committee was set up to review our policies, engage colleagues, and work with local schools and youth centres to help promote careers in the property sector and encourage longer-term diversity in our industry.

This year has been difficult for employees, and it highlighted that the health and wellbeing of our people is more critical than ever. Recognising the various individual challenges our employees faced working through a pandemic, we took several approaches to increase our support and the benefits already in place. We improved our communications to reduce people feeling isolated when working from home, increased the mental health resources available to them and their families, trained mental health first aiders, set up access to private GP services, gave employees with dependents increased paid parental leave, hired a fitness instructor for virtual classes and held regular virtual employee events and activities.

Gender pay gap

Howard de Walden is a corporate member of Real Estate Balance, an association formed to address the gender imbalance in senior positions in the property industry. To monitor our position, we voluntarily commissioned an external consultant, Innecto Reward Consulting, to calculate our gender pay gap for the second year (as of April 2020). The results can be seen in the charts on page 35. In common with our real estate peers, we report a significant gender pay gap and are focused on steps to reduce this.

The Group employs more females (59%) than males (41%). However applying the pay gap calculations, men were paid more on average than women. In monetary terms, women earn 55p (2020: 55p) for every £1 that men earn when comparing median hourly wages, and 45p (2020: 49p) for every £1 when comparing mean hourly wages. Most employees received a bonus, with women earning 45p (2020: 50p) for every £1 that men earn, when comparing median bonus pay, and 16p (2020: 17p) for every £1 when comparing mean bonus pay.

Our gender pay gap is distorted by the inclusion of all Estate-based support staff whose salaries are reimbursed by occupants of service charged buildings. For office-based staff only, the gender pay gap decreases to 33% (2020: 33%) in favour of men on a median basis and 50% (2020: 44%) in favour of men on a mean basis.

The reason for the increase in pay gap this year is that the proportion of men in the top quartile of pay bands increased from 72% to 76%.

The highest paid employees are the Executive Directors, who are all men, which affects both the pay and bonus gaps. The bonus pay gap is also affected by part time employees as the calculation does not allow for prorating. 25% (2020: 22%) of those who received a bonus are part time employees, of which 75% (2020: 83%) are women.

The Group benchmarks salaries internally and externally to ensure employees, in all roles, are paid fairly and equally for the same job. We are committed to improving gender pay parity and we recognise that the best way to achieve better equality is to retain and nurture existing staff, to allow them to develop into more senior roles.

Chief Executive pay ratio

The Group is committed to greater transparency and corporate governance and considers it appropriate to report its Chief Executive pay ratio on a voluntary basis. The ratio, determined using the gender pay gap analysis, is in line with published data from companies in the real estate sector.

Gender pay gap

Headline figures comparing the basic hourly pay of all employees inclusive of cash payments and allowances

	Mean	Median
Gender pay gap	**54.9%**	**44.5%**
Change	+4.1%	-0.3%
2020 gap	50.8%	44.8%
National average gap*	–	**15.5%**
Change	–	-1.9%
2020 gap	–	17.4%
Gender bonus pay gap	**83.6%**	**55.5%**
Change	+0.7%	+5.5%
2020 gap	82.9%	50.0%

A minus indicates the gap is in favour of females.
*Source ONS.gov.uk (Released 3 November 2020)

Pay quartiles

The proportion of male and female employees by quartile pay bands

● Male ○ Female

Quartile trends year on year

		Male	Female
Upper quartile	**2021**	76%	24%
	2020	72%	28%
Upper middle	**2021**	49%	51%
	2020	47%	53%
Lower middle	**2021**	32%	68%
	2020	33%	67%
Lower quartile	**2021**	11%	89%
	2020	16%	84%

Chief Executive pay ratio

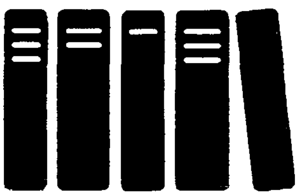
Chief Executive's Single Total Figure of Remuneration (STFR) compared to the individuals representing the 25th, median and 50th percentile of the Group's employees.

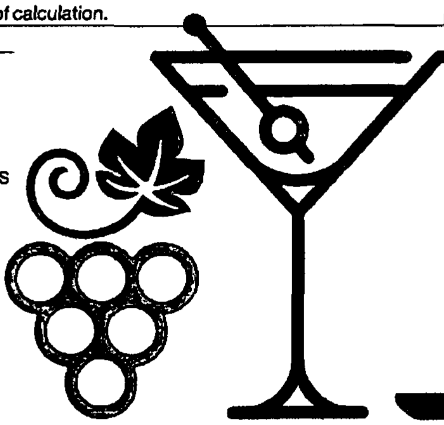
Summary statistics	2021	2020*
75th percentile	**17:1**	12:1
Median	**20:1**	22:1
25th percentile	**27:1**	33:1

*2020 figures restated in line with 2021 basis of calculation.

Staff events

We held regular virtual employee events and activities such as a book club, art lessons, cocktail making, cooking demonstrations, wine tastings and a photography competition.





Bonus payments

The proportion of men and women in receipt of a bonus.

95%

96%

Wellbeing

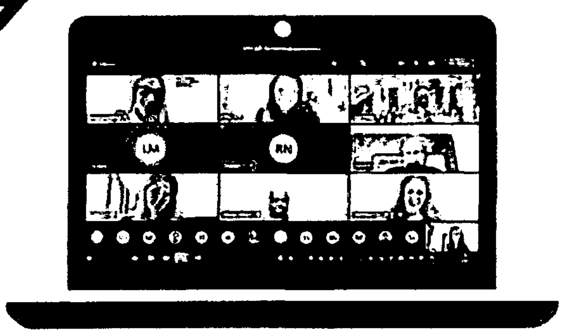
As staff adapted to working through a pandemic, we increased communications and hired a fitness instructor for virtual classes, as well as other benefits to support wellbeing.

Georgie Spurling, fitness instructor

Happy staff

82% of staff agreed they loved working at Howard de Walden.

82%



Our customers

We recognise the importance of our customers as the source of our income, and the role they play in creating vibrancy in the community and supporting the local economy. The Group works hard to attract, retain and support customers and considers them a key part of our stakeholder network.

The Group continues to invest in marketing and communications to promote our customers and the area. This includes resident newsletters and helping to fund the publication of two highly acclaimed periodicals, the Marylebone Journal, promoting retail, restaurants and lifestyle, and Prognosis, promoting medical care. This year, we also bolstered our support with various campaigns, such as My Independent Marylebone, and International Women's Day on social media. These campaigns help promote and celebrate many of our various occupiers and members of our community to our 12.5k+ following. We also continue to work with our customers to improve our digital presence and increase the area's profile and footfall through an active calendar of events, promotions, press opportunities and campaigns via our destination brand, Marylebone Village.

This year has shown more than ever how important digital connection is and to strengthen our residential offering, we have continued the rollout of ultrafast fibre broadband across our Estate. Security is also a priority for our customers. Accordingly, we continue to provide security guards who undertake additional patrols around our area of Marylebone. This remains a successful initiative with residents, retailers and business occupiers.

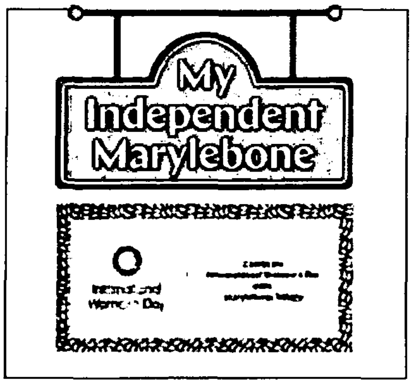
Events

Another way the Group engages with occupiers, adding to the sense of community in Marylebone and promoting the area, is through an active calendar of events. As with everyone else this year, some of our events had to be cancelled, and where possible we had to be creative and think of alternative ways to bring people together. By taking our two largest events, the Marylebone Summer Festival and Christmas Lights online, we still provided activities and entertainment for those who joined in, and the opportunity to promote our retailers through challenging times.

During the summer, when restrictions eased, we pedestrianised Marylebone Lane, allowing more space for social distancing and alfresco dining, and partnered with the charity Open City to create guided and audio tours of the Estate as part of the Open House Festival. These popular tours encouraged people back into Marylebone, and when restrictions resumed, the self-guided audio tours still helped to promote and highlight the beauty and uniqueness of the area.

Social media
This year, we bolstered our support with various campaigns on social media, such as My Independent Marylebone, and International Women's Day. These campaigns help promote and highlight many of our various occupiers to our 12.5k+ following.

12.5k+

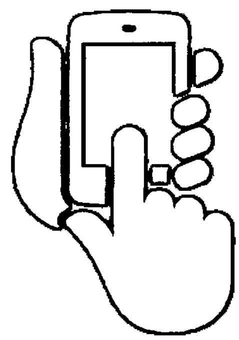


To celebrate Merry Marylebone and to continue Marylebone's tradition of hosting Santa and his grotto, this year Santa was live-streamed into homes direct from Lapland!

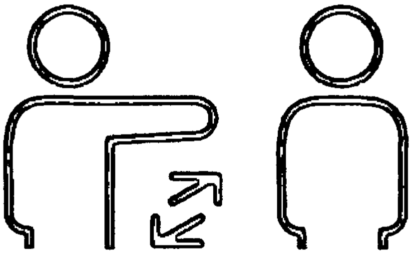
Back on tour

We partnered with the charity Open City to create guided and audio tours of the Estate, as part of the Open House Festival. These popular tours encouraged people back into Marylebone.

Get connected
To strengthen our residential offering, we have continued the rollout of ultrafast fibre broadband across our estate.



Social distancing
During the summer, when more activity was allowed, we pedestrianised Marylebone Lane, allowing more space for social distancing and alfresco dining.



The Group's community investment is guided by the principle that our income is generated in Marylebone, and therefore support should be focused largely in the local area. Recognising that there are areas in need just outside the 92 acres of the Estate, we broaden our reach to support neighbouring communities in the City of Westminster.

Community investment encompasses our charitable giving, support of local institutions and initiatives, and is aligned with our diversity and inclusion aims. It is also recognised as a contributing factor to enhancing employee engagement.

The impact of the pandemic has been devastating, particularly on the most vulnerable in our society. At the same time many charities have been hit hard, especially those dependent on public fundraising. In response to these challenges, Howard de Walden sought to give to those in need and provide relief and resources where they were needed most. Our support is given through charitable and community support contributions (2021: £926,000), fundraising, awareness raising, volunteering, and space in-kind donations.

Over the past year, we have supported our community and the vulnerable people within it in a variety of ways. We have seen and heard first-hand how impactful this support has been, and listed below are examples:

- Our scholarships allowed two disadvantaged undergraduate students in their final year of studies at the University of Westminster to improve their grades and graduate with a 2.1 and 1st degree respectively.
- Our donation to Advance Charity, meant more women and children in Westminster who were at risk of domestic abuse, were sheltered and supported.
- Our donations to the local foodbank resulted in less hunger with greater access to food during the pandemic.
- Our awareness raising, fundraising and donations for The Hidden Network, a group of charities tackling homelessness in Westminster, meant that more people sleeping rough received the support they needed throughout the winter months.
- Our donation to The Felix Project ensured that an additional 61,000 meals were redistributed to people facing food insecurity.
- Our colleagues donated 40 toys for a local charity nursery, to ensure kids from disadvantaged backgrounds had a gift at Christmas.
- Our community toiletry drive meant that a local shelter was able to put on more showers for homeless people.
- Our donation to Westminster Wheels, a Westminster City Council initiative, helped unemployed young people into work, taught them new cycle repair skills, encouraged people to donate bikes into the scheme, and promoted cycling in Westminster, helping to improve air quality.
- Our donation to the Young Westminster Foundation's Digital Futures campaign ensured 40 devices were delivered to families in Westminster, along with one year of internet access and training, to help tackle the digital divide and ensure children had online access for home schooling.
- A group of eight colleagues presented to 60+ undergraduate students from the University of Westminster as part of their Working Cultures UK Programme, focused on improving employability skills and industry awareness for students.
- Two colleagues, Aidan Mckearney and Barry Greenstreet, participated in the LandAid SleepOut, helping raise much needed funds to tackle youth homelessness. Not only did they raise £7,416 by sleeping rough, they also helped raise awareness by promoting the sleep-out with colleagues, businesses and personal contacts. They ended up being the third largest fundraisers in London.
- Our £100,000 donation to our local NHS hospital, University College Hospital, London (UCLH), has supported a clinical research project for the long-COVID-19 clinic. By supporting two research fellows, it will help develop innovative diagnostic pathways and evaluate treatment strategies. It has also gifted 50 frontline workers and their families a physical and mental reprieve, with time away from the hospital to recoup and reflect on the year gone by.

Key worker housing

Our support also extended to offering discounted housing to key medical workers at local hospitals. Central London residential properties can be expensive to many and we are conscious that some key medical staff who work in the area are unable to afford to live here. To achieve this, we have been running our own defined housing programme since late 2019 to enable key workers from local hospitals to make Marylebone Village their home as well as their place of work. The scheme provides a mix of flats rented out at subsidised values to successful applicants. At the end of the year we had ten properties (2020: eight) let to key medical workers at an average discount to market rent of 55% (2020: 54%) which equates to £143,000 (2020: £64,000) of rent foregone in the financial year.

"The Howard de Walden Estate has been an amazing local partner for WLM. Their support prior and during the pandemic has been essential to our ability to contribute to the Everyone In Initiative to bring people off the streets in Westminster. They have promoted our needs to the wider community within Marylebone and been an effective corporate citizen in supporting campaigns such as the Westminster Hidden Network and the brilliant work of the Story of Christmas fund. We are incredibly grateful for what Howard de Walden Estate do for us."

Roger Clark,
CEO West London Mission

"On 11 March, I took part in the LandAid SleepOut to raise money to help support young people who are homeless. My effort in sleeping outside in my garden was safe and secure and did not reflect in any way the plight of far too many young people who have found themselves in the terrible position of being without a home, without help and without hope. But I was compelled to suffer that little dose of hardship in an attempt to raise awareness and funds to help those who need it most."

Barry Greenstreet
Building Surveyor,
The Howard de Walden Estate

The Felix Project
Our donation to The Felix Project ensured that an additional 61,000 meals were redistributed to people facing food insecurity.

+61,000

Charitable and community support contributions

£926,000

Sleep out
By participating in the LandAid SleepOut, our colleagues Aidan and Barry helped raise £7,416 to tackle youth homelessness.

£7,416

"The generous donation and ongoing support University College Hospital, London has received over the past two years from The Howard de Walden Estate has been incredible. The funds have allowed UCLH to continue their world class research trials and support both staff and patients."

Laura Dowling
Deputy Head of Charitable Giving (Fundraising) UCLH Charity

Mark Kildea with our two University of Westminster scholarship students, Sabell and Dermika.

"It's been fantastic to build upon the numerous ways in which The Howard de Walden Estate engages with the University over the last year. Year-on-year the organisation has provided more funding, and committed more of its colleagues' time, to provide opportunities to a larger cohort of students."

Jordan Scammell
Head of Development and Fundraising,
The University of Westminster

£100,000 DONATION UCLH

Suppliers and health and safety

Suppliers and contractors

As an important part of the Group's stakeholder network, our suppliers and contractors help us deliver our development and refurbishment projects, health and safety requirements and the great level of service which we expect for our customers. This year, to strengthen our relationship with suppliers, improve contractual terms to benefit both parties and enhance our governance and value, we appointed a Procurement Manager.

We remain committed to ensuring that our refurbishment and redevelopment programme creates minimal disruption and look to appoint contractors who share this aspiration. The Considerate Constructors Scheme (CCS) is used to assess the impact of large-scale projects. A CCS assessor scores construction projects across five categories: appearance, community, environment, safety and workforce. Due to the heritage constraints of the buildings in our portfolio and the Estate's position in a conservation area in the heart of London, it is very difficult to obtain the highest scores for many of our projects. This year, the Group scored a minimum of 35 across all our projects, which we consider very good.

Health and safety

As part of a business re-organisation, we created a new Health and Safety team, independent from the property teams. The role of this team is to ensure that the business is compliant on all health and safety matters, whilst providing advice and a robust governance structure.

The Head of Health and Safety is the chair of the Health and Safety Committee. The committee, which is comprised of employees and Directors who have responsibility for health and safety management throughout the Group, meets regularly to discuss issues of health, safety and welfare of the Group's employees and those affected by its activities. The committee reviews current and proposed health and safety legislation and makes sure that the Group can meet its obligations while achieving its long-term business objectives. It supports the Chief Financial Officer who is the Director responsible for reviewing the effective management of health and safety across the Estate.

During the year, there were three accidents involving members of staff or the public. These accidents were investigated, and measures put in place to prevent a reoccurrence. None of these accidents were reportable to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).

Each of our directly managed buildings is formally inspected once a year by a fire and general health and safety risk assessor. Accident investigations following accidents or incidents are also undertaken through the health and safety manager. Findings are notified to departments to limit the risk of reoccurrence with any remedial actions undertaken as soon as reasonably practicable.

As part of our due diligence, where major projects are undertaken, these works are carried out by an approved contractor appointed by the Group. Monthly safety audits are carried out to make sure contractors continue to perform to the highest standards of health and safety. These safety audits for the last year have included inspections to ensure that contractors were working in a COVID-19 safe and secure environment.

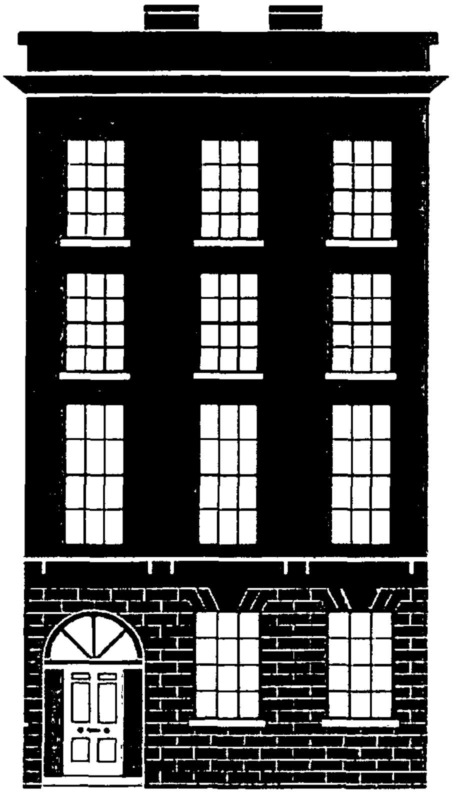
We have operated a COVID-19 secure office in accordance with Government guidelines throughout the year and have undertaken a COVID-19 risk assessment to determine our specific controls. The COVID-19 Action Group meets every week and reviews, and sets any required amendments to this. We have also signed up to the NHS Workplace Collect COVID-19 testing initiative.

Modern Slavery Act

The introduction of the Modern Slavery Act 2015 ('the Act') rightly seeks to encourage a robust and diligent approach among businesses to combatting slavery and human trafficking practices. The Group does not tolerate human trafficking, slavery or forced, bonded or other illicit forms of labour. We endorse the Act's provisions in relation to supply chain transparency and we have, in accordance with Section 54 of the Act, published a detailed modern slavery and human trafficking statement, reflecting the series of measures the Group has put in place in order to prevent modern slavery or human trafficking occurring within its business or supply chain. The statement is updated annually and is available to view on The Howard de Walden Estate website (www.hdwe.co.uk). We make sure that our employment practices are compliant with the mandatory requirements of applicable employment legislation and best practice. All workers engaged have chosen their employment freely and are treated with dignity and respect.

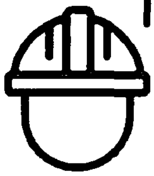
Our heritage

Through our active refurbishment programme, we maintain the existing architecture of our buildings whilst developing them for the future.



Health and safety

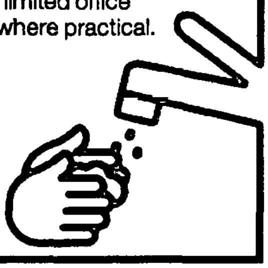
This year, to strengthen our relationship with suppliers, improve contractual terms to benefit both parties and enhance our governance and value, we appointed a Procurement Manager.

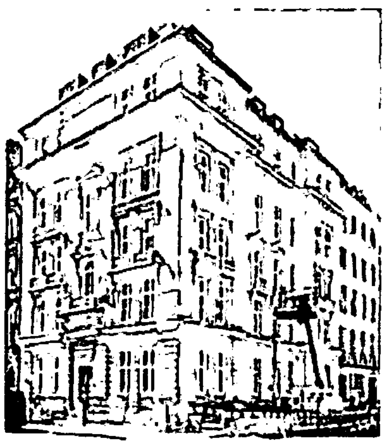


27-29 Harley Street

COVID-19 secure office

In accordance with Government guidelines we have undertaken a COVID-19 risk assessment to determine our specific controls. These include regular thorough cleaning, social distancing, signs and notices, hand sanitising stations and limited office attendance where practical.

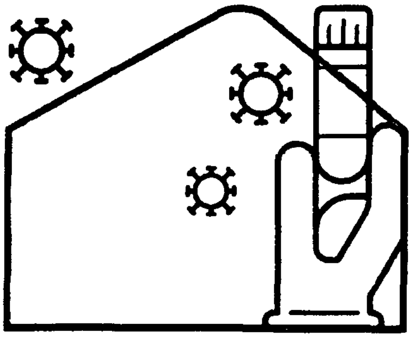




23 Queen Anne Street

Testing times

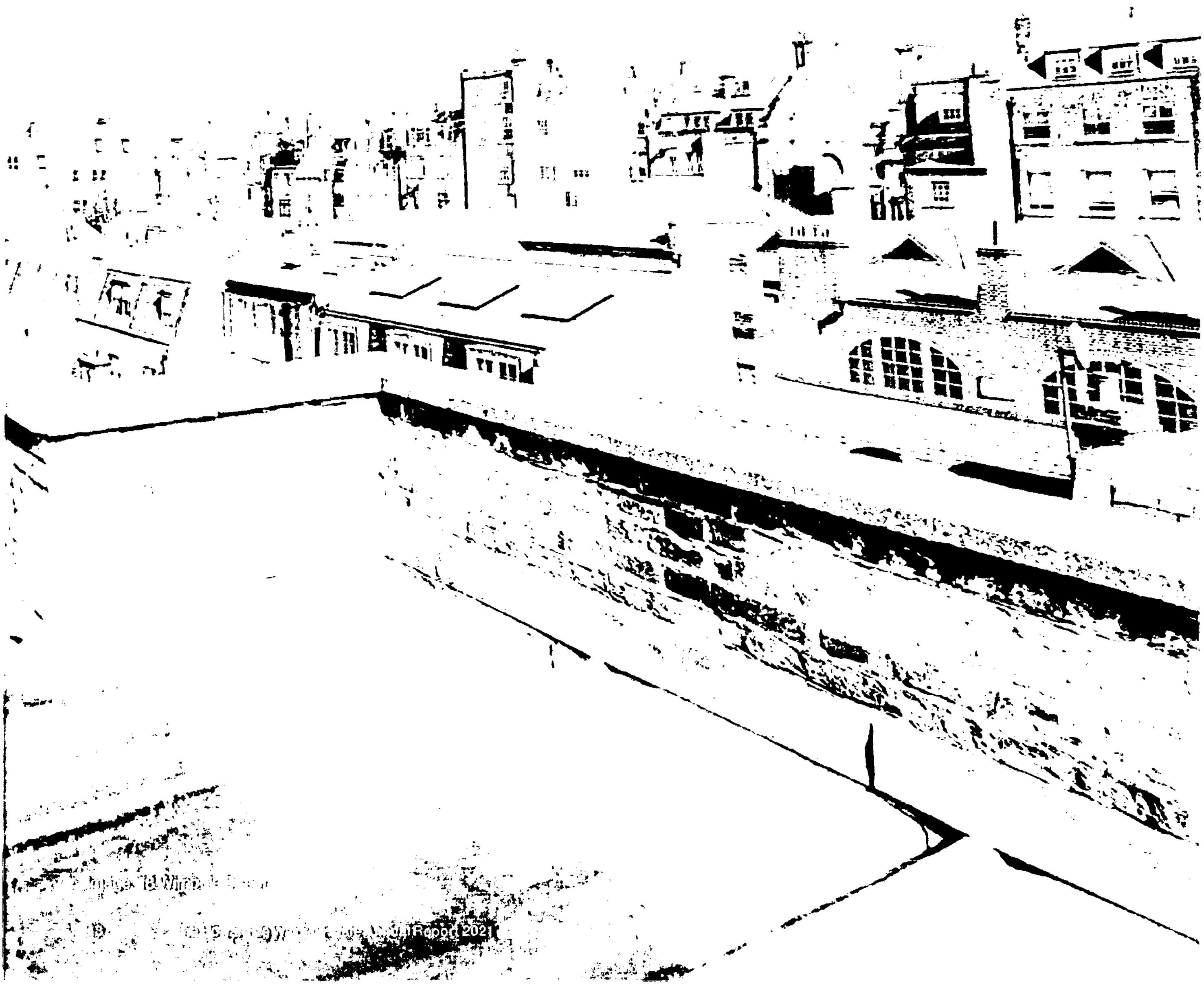
We have signed up to the NHS Workplace Collect COVID-19 testing initiative where colleagues can collect COVID-19 test kits and test themselves at home.



Governance

Introduction

Maintaining the reputation of the Group as a responsible landlord and steward for the Marylebone area is seen as vital for the Board. It is what defines us, and enables us to deliver a successful, sustainable business. The Board recognises that it is not just our actions which will inform opinions, it is also how we conduct ourselves with our stakeholders. To ensure we continue to meet the expected high standards, a strong governance framework has been put in place which involves robust supporting processes across the Group alongside regular reporting.



Governance

Howard de Walden Estates Holdings Limited is privately owned, with the majority shareholder being the Lord Howard de Walden and Seaford's Marriage Settlement Children's Trust, which holds the shares for the benefit of current and future members of the Howard de Walden family. There are other family trusts and individual family shareholdings which hold the remaining shares.

Howard de Walden Estates Holdings Limited is the holding company of Howard de Walden Estates Limited which, together with its wholly owned entities form 'the Group', which owns all the property assets. Howard de Walden Estates Holdings Limited has no equity or debt securities listed on the London Stock Exchange and although it is exempt from compliance with the UK Corporate Governance Code, the Group's approach is to apply best corporate governance practice appropriate to a large private company. This creates a high level of accountability, probity and clarity on decision making.

The composition of the Group Board of Directors ('the Board') is designed to ensure the effective management of the Group and to provide leadership, strategy and control. Including the Chairman there are seven Non-Executive Directors with CEO or equivalent experience on the Board and four family shareholders, plus the three Executive Directors.

The roles of the Chairman and the Chief Executive are clearly defined. The Chairman is primarily responsible for overseeing the workings of the Board and its committees. The Board has ultimate responsibility for the Group's strategy and policies, which are developed by the Chief Executive. The Chief Executive is responsible for the implementation of the policies and strategies set by the Board and management of the business.

There have been several changes to the Board. Three members resigned: The Deputy Chairman, Chief Executive and Property Director and four new members were appointed: Property Director, Chief Financial Officer, Mark Musgrave (as Alternate Director) and Karl Sternberg (as Non-Executive Director). Toby Shannon assumed the role of Deputy Chairman in December 2020.

The Audit Committee reports to the Board and oversees financial reporting and the statutory audit as well as monitoring internal controls including risk management. The members of the Audit Committee are Toby Shannon, Marc Gilbard and Karl Sternberg with the attendance of Executive Directors when required.

The Remuneration and Nominations Committee makes recommendations to the Board on the Executive Directors' remuneration, based upon independent external professional advice. The members of the Remuneration and Nominations Committee are the Chairman, Liz Peace and Rt Hon. Professor Lord Kakkar.

It is the nature of the property business that some matters are large and complex, therefore the Group operates an Investment Committee, which reports to the Board. The Investment Committee meetings allow members adequate time and preparation to explore, understand, challenge and approve any investment that exceeds the authority level delegated by the Board to the Executive Directors. This committee, now chaired by Marc Gilbard, also comprises the Chairman, the Deputy Chairman, Karl Sternberg and the Executive Directors. Non-Executive Directors are also invited to informal update meetings and site visits, which provide an opportunity to meet senior management.

Our experienced management team is integral to the continued success of the Group as it brings specialist skills to manage our diversified portfolio on an asset-by-asset basis. Senior management are typically department heads and interact daily with and report to the Executive Directors. The Executive Committee ('ExCo') exists to streamline communication between the senior management team and the Board with a focus on the key property, financial, project and community matters affecting the business. The ExCo, comprising the Executive Directors, Paul Bakker, Fiona Barnes, James Fisher and Tracey Hartley (until July 2021), met weekly to discuss matters relating to the pandemic and met formally four times in the year for wider strategic discussions.

Governance framework

The Board

The Board delegates certain matters to its three principal committees.

1. Audit Committee

The Audit Committee reports to the Board and oversees financial reporting and the statutory audit as well as monitoring internal controls including risk management.

Members:
Toby Shannon
Marc Gilbard
Karl Sternberg (from December 2020)

2. Remuneration and Nominations Committee

The Remuneration and Nominations Committee make recommendations to the Board on the Executive Directors' remuneration, based upon independent external professional advice.

Members:
Sir William Proby
Rt Hon. Professor Lord Kakkar
Liz Peace
Sir Christopher Howes (until December 2020)

3. Investment Committee

The Investment Committee meetings allow members adequate time and preparation to explore, understand, challenge and approve any investment that exceeds the authority level delegated by the Board to the Executive Directors.

Members:
Sir William Proby
Toby Shannon
Sir Christopher Howes (until December 2020)
Marc Gilbard
Karl Sternberg (from December 2020)
and the Executive Directors

Executive Committee

The Executive Committee ('ExCo') exists to streamline communication between the senior management team and the Board with a focus on the key property, financial, project and community matters affecting the business.

Members:
Mark Kildea
Julian Best
Andrew Griffith (from November 2020)
Paul Bakker
Fiona Barnes
James Fisher
Tracey Hartley (until July 2021)

Supporting Committees

A number of supporting committees provide oversight on key business activities and risks such as Health and Safety, Diversity and Inclusion, and Environment and Community.

The Board, comprised of the three Executive Directors and 11 Non-Executive Directors, normally meets four times per year. In response to COVID-19, the Board convened two additional meetings to manage the impact of the global pandemic. Many of the Group's stakeholders have been adversely affected by COVID-19 and Board decisions over the last 12 months have needed to consider and assess the effect of the pandemic on stakeholders. This is our section 172 statement which should be read in conjunction with the Strategic report as a whole.

The requirement
Section 172 of the Companies Act 2006 ('section 172') requires a Director of a company to act in the way he or she considers, 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 have regard, amongst other matters, to:
- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly with members of the company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172 for the Group.

Role of the Board
While the primary activity of the Board is to oversee the operations of a property investment and management business capable of distributing a proportion of its profit to shareholders, the Board recognises that long-term success is dependent on maintaining relationships with all its key stakeholders considering the external impact of the Group's activities. The Group engages with a wide range of stakeholders to inform our decision making, including customers, suppliers, neighbouring communities, employees and shareholders, as well as considering our impact on the environment. As long-term stewards of Marylebone, the Board actively considers the views of all stakeholders as it seeks to continue to deliver outstanding places to visit, live and work.

The Board met throughout the year to discuss matters of strategic importance and to obtain an understanding of the performance and position of the Group. Decisions made by the Board consider the Group's performance and the impact on stakeholders, with the Group's reputation of paramount importance. The three Executive Directors are part of the Executive Committee (comprising the most senior non-Board employees in the Group) and attend management meetings throughout the year to obtain a full understanding of issues affecting the Group and to improve decisions made at Board level.

To improve clarity of decision making, with effect from 1 April 2021, the consideration of all key strategic decisions taken by the Board will involve a formal assessment of the impact on stakeholders. Some of the key strategic decisions made in the year are included on the next page.

Stakeholders
The following are considered the key stakeholders of the Group:
- Customers – Our occupiers are the centre of the community. Through careful selection, they bring vibrancy to the area and help to make Marylebone a desirable location to visit, live and work.
- Employees – The Group cannot satisfy its other key stakeholders without our employees. They are key to the long-term success of the Group.
- Shareholders - As a family-owned group, our family members' interests are always considered when making key strategic decisions. A Shareholder Committee provides a platform for the shareholders to provide input on long-term strategic decisions.
- Communities – The Group is embedded within the local community. As responsible stewards, we need to play our part in supporting the community through events, direct charitable giving and our schemes which impact upon the local environment.
- Suppliers – We seek to work with suppliers and contractors who share our standards. When working on the Estate, suppliers are an extension of Howard de Walden so it is essential they maintain the Group's reputation as considerate stewards.
- Debt providers – We maintain a close working relationship with our debt providers who play an important role in the long-term future of the Group.
- Local authorities – We work closely with the City of Westminster to ensure we maintain and enhance Marylebone for all.

Pages 30 to 41 provide detail of the key activities and initiatives we have carried out in the year including engagement with our key stakeholders.

Major Board decisions during the year ended 31 March 2021

	Stakeholders impacted:	Stakeholder consideration and outcome:
1. Managing the response to a global pandemic	Customers, Suppliers, Communities, Employees, Shareholders and Local authorities.	– Action groups comprising senior management and Executive Directors were established to handle issues and coordinate our response. – Communication frequency with stakeholders increased due to the ever-changing situation. The Group's approach and decisions made were clear and timely. – All customers were impacted by COVID-19. The Board were frequently appraised of management's proactive response to engage with customers from the outset. – The Board sought updates to the impact on ongoing refurbishment projects including supply chain issues and delays due to social distancing working practices. – The local area temporarily benefited from the reduced road traffic reducing air pollution. As working practices change, opportunities to build back greener are evaluated. – Charities were hit hard by the pandemic. With fundraising events cancelled and volunteering services not possible, the Group embarked upon its largest ever amount of charitable and community support contributions (£926,000). – Employee health and wellbeing was paramount amongst the Board's concerns. Safe working environments were adapted and frequent communication kept staff informed at all times. Staff welfare initiatives were also introduced. – With significant economic uncertainty, the Board felt it was critical to maintain cash and liquidity to preserve the financial strength of the Group. Expenditure levels, including dividends, were reduced. – The effects of the pandemic will continue beyond this year and the Board will maintain practices established during the year and continue to react and adapt to any new changes and challenges which may arise.
2. Revising the strategic plan	Customers, Communities, Employees, Shareholders and Local authorities.	– The family shareholders are keen to understand how the Group will evolve, especially where this will impact future generations. – The long-term success of any plan requires active engagement with employees to ensure that targets and goals can be achieved. A cross-section of Executive Directors, senior managers and other staff have been actively engaged and involved in collating ideas for the strategic direction of the plan. – The annual employee engagement survey provides a platform for the Executive Directors to respond to employee concerns and address key needs around training and career progression. – Customers will be impacted by any decisions made which differ from the existing strategic plan. The process will involve identifying current and future customers' requirements to ensure our plans are fit for purpose. – The Marylebone community will be enriched through investment in sustainable buildings and spaces. – Achieving long-term sustainability goals is integral and to be adopted into the strategic plan. – The Board aims to ratify plans at the December 2021 AGM following consultation with the Shareholders via the Shareholder Committee.
3. Approach to long-term borrowings	Shareholders, Debt providers, Customers and Employees.	– There is an understanding that business growth will require investment. There is a balance to be struck between investing, maintaining and growing the Estate, and generating profit and cash flow to enable dividends to be paid. – With private placement tranches expiring in the next few years, the Board agreed to sanction a £50m forward starting note placement to reduce refinancing risk. – The decision solidifies our financial strength leaving no significant debt maturing until 2024.

Directors' report

The Directors present their report and the financial statements for the year ended 31 March 2021.

Directors' responsibilities statement
The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law, the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for the financial year. In preparing these accounts, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

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

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

Disclosure of information to the auditor
In the case of each person who was a Director at the time this report was approved:
- so far as that Director was aware there was no relevant audit information of which the Group's auditor was unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditor was aware of that information.

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

Auditor
A resolution to reappoint the auditor, Nexia Smith & Williamson, will be proposed at the next AGM.

Company's registered number
The Company's registered number is 06439246.

Dividends
During the year, the Group paid dividends of £25,500,000 (2020: £37,230,000) to ordinary shareholders and £nil (2020: £nil) to 'A' shareholders.

Going concern
The Directors have considered the significant impact COVID-19 has had in applying the going concern basis of preparation of the financial statements. More detail can be found in note 2 to the accounts.

Section 172
In compliance with Section 172 requirements, a statement can be found on pages 46 and 47 of the Strategic report which includes details of the Directors' regard for employee engagement and business relationships.

Streamlined Energy and Carbon Reporting
In compliance with Streamlined Energy and Carbon Reporting, the Directors present the Group's emissions and energy usage on page 33 of the Strategic report as the matter is of strategic importance. Our annual emissions equate to 0.03 tCO_2e per sq m (scope 1 & 2 market based). Details of calculation methods used can be found in the additional information on page 33.

Calculation method used
The Group quantify and report our organisational Greenhouse Gas (GHG) emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the corresponding guidance. We currently include four of the 15 Scope 3 categories. We consolidate our organisational boundary according to the operational control approach. The GHG sources that constituted our operational boundary for the year are:

- Scope 1: Natural gas, transportation fuels
- Scope 2: Electricity
- Scope 3: Business travel, water, purchased electricity sub-metered to occupiers and fuel and energy related activities

In some cases, where there is limited information, values have been estimated using either extrapolation of available data or data from the previous year as a proxy. We aim to focus on continually improving the quality and scope of our data during future reporting years.

The reporting guidelines require that we quantify and report Scope 2 emissions according to two different methodologies: (i) the location-based method, using average grid emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured and, therefore, takes renewable energy sources into account. During the year over 80% of the energy we procured was from certified renewables.

The Board members who served during the year and up to the date of this report are listed below:

Name	Role	Executive / Non-Executive
Sir William Proby Bt CBE DL	Chairman	Non-Executive
Sir Christopher Howes KCVO CB *(resigned 2 December 2020)*	Deputy Chairman	Non-Executive
Toby Shannon	Deputy Chairman	Non-Executive
Andrew Hynard *(resigned 10 September 2020)*	Chief Executive	Executive
Simon Baynham *(resigned 31 October 2020)*	Property Director	Executive
Mark Kildea	Chief Executive	Executive
Julian Best *(appointed 1 October 2020)*	Property Director	Executive
Andrew Griffith *(appointed 18 May 2021)*	Chief Financial Officer	Executive
The Lady Howard de Walden	Family Shareholder	Non-Executive
The Hon. Mrs Buchan	Family Shareholder	Non-Executive
The Hon. Mrs White	Family Shareholder	Non-Executive
The Hon. Mrs Acloque	Family Shareholder	Non-Executive
Marc Gilbard		Non-Executive
Rt Hon. Professor Lord Kakkar PC		Non-Executive
Mark Musgrave *(appointed 3 April 2020)*	Alternate Director*	Non-Executive
Liz Peace CBE		Non-Executive
Karl Sternberg *(appointed 2 December 2020)*		Non-Executive

*Mark Musgrave is an Alternate Director to the Chairman and will only act as a Director should the Chairman be incapacitated. Mark Musgrave attends Board meetings in his role as Senior Family Trustee.

This report was approved by the Board of Directors on 17 August 2021 and signed on its behalf by:

Mark Kildea
Chief Executive
Director

Sir William Proby Bt CBE DL
Chairman
Director

Independent auditor's report to the Members of Howard de Walden Estates Holdings Limited

Opinion
We have audited the financial statements of Howard de Walden Estates Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group Statement of Cash Flows and the Notes to the Accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Other information
The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 48, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company and determined that the most significant in the context of the audit and where failure to comply could result in material penalties are;

- the financial reporting framework United Kingdom Accounting Standards including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland;"
- the Companies Act 2006; and
- UK taxation law.

We obtained an understanding of how the Group and Parent Company comply with these frameworks, through discussions with management and those responsible for compliance procedures and how the Group and the Parent Company maintain and communicate its policies and procedures in these areas. We corroborated these enquiries by reviewing the Board meeting minutes and noted no contradictory evidence.

The Senior Statutory Auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur. We discussed further with those charged with governance and management to understand where they consider manipulation of the financial statements could occur, determining which account balances are subjective in nature and considering the processes and controls which the Group and Parent Company have established to prevent and detect fraud, and how these controls are monitored.

As a result of these discussions, the following susceptible areas were identified and specific procedures performed to address those risks;

- Performing preliminary analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- The manipulation of the financial statements through manual journals, and specifically manual journals recorded in revenue around the year end. Manual journals have been selected based on a specific risk assessment applied according to the Group and Parent Company's processes and controls and corroborated to underlying supporting documentation.
- Testing the validity of the data used in the investment property valuations, due to the risk of manipulation of inputs in valuation calculations and bias towards the refurbishment capital/revenue estimate. To address this, we obtained and documented an understanding of relevant controls relating to investment property valuations and major refurbishments. We tested the existence and valuation of a sample of investment properties by agreeing to underlying lease agreements, as well as recalculating and comparing to the yield inputs as confirmed by the Group's third-party valuer and investigating any departures. We reviewed a sample of refurbishment projects undertaken in the period to understand the nature of the works and tested the capital/revenue specifications to ensure they were reasonable.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.
This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Giles Murphy
Senior Statutory Auditor,
for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

17 August 2021

Officers and professional advisers

Secretary
Karen Inman

Registered office
23 Queen Anne Street
London
W1G 9DL

Company registered number
06439246

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Lloyds Banking Group plc
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EC2V 7HN

Lloyds Bank plc
10 Gresham Street
London
EC2V 7AE

National Westminster Bank plc
250 Bishopsgate
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Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
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Auditor
Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

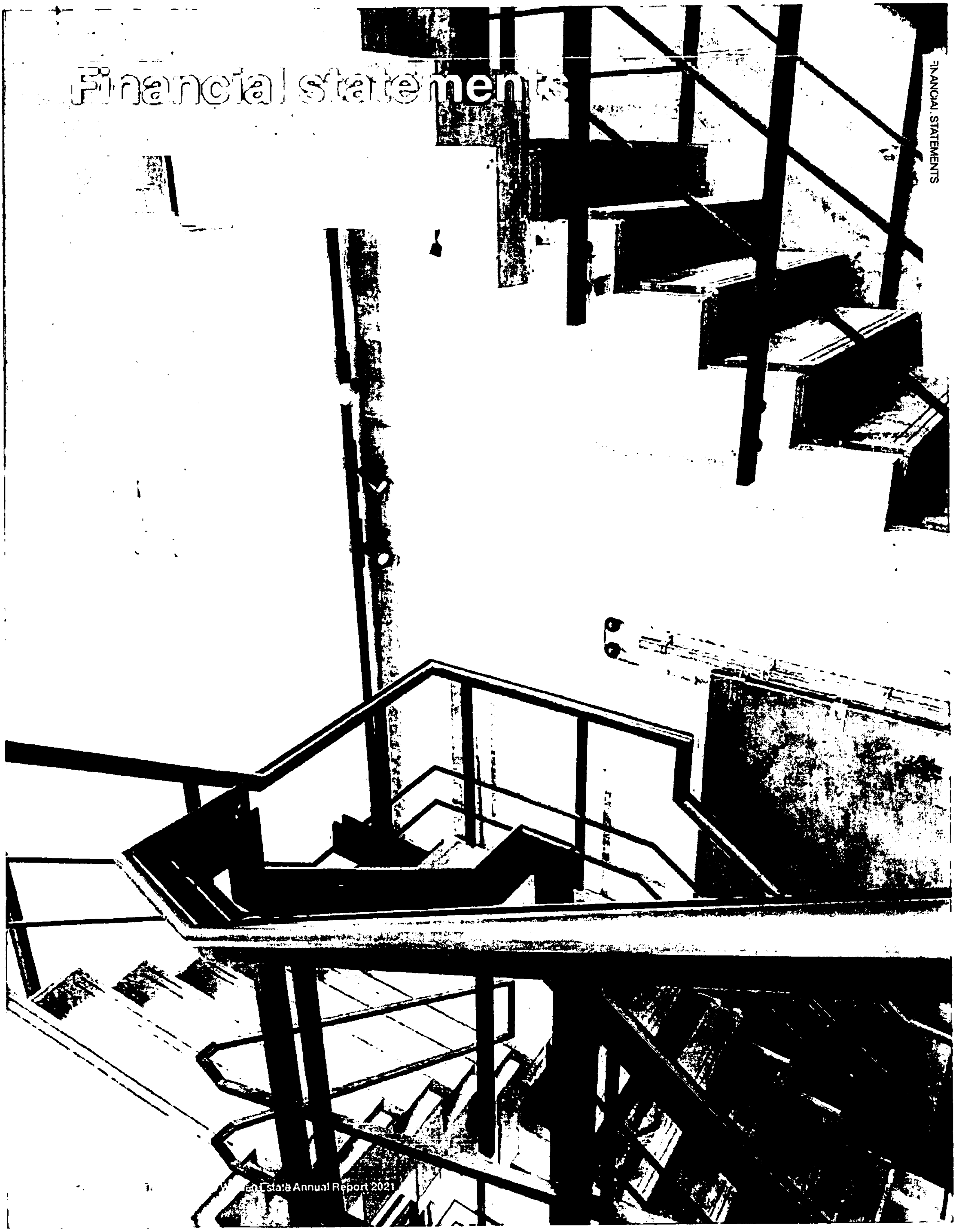
Solicitors
Charles Russell Speechlys
5 Fleet Place
London
EC4M 7RD

Non-Executive Directors
Sir William Proby Bt CBE DL
The Lady Howard de Walden
The Hon. Mrs Buchan
The Hon. Mrs White
The Hon. Mrs Acloque
Marc Gilbard
Rt Hon. Professor Lord Kakkar PC
Mark Musgrave
Liz Peace CBE
Toby Shannon
Karl Sternberg

Executive Directors
Mark Kildea
Julian Best
Andrew Griffith

Opposite: 110 Marylebone High Street

Financial statements



Group Statement of Comprehensive Income
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	5	**133,681**	145,540
Property outgoings and cost of sales		**(24,542)**	(22,463)
Gross profit		**109,139**	123,077
Administrative expenses		**(21,866)**	(23,028)
Performance profit	5	**87,273**	100,049
Loss on revaluation of investment properties	12	**(160,570)**	(47,650)
Profit on sale of investment properties		**3,043**	2,018
Interest receivable and similar income	6	**200**	730
Interest payable and similar charges	7	**(23,918)**	(23,177)
Fair value (loss)/gain on derivative financial instruments		**(32,772)**	26,490
Gain/(loss) on foreign currency exchange		**24,970**	(12,222)
(Loss)/profit on ordinary activities before taxation		**(101,774)**	46,238
Tax on (loss)/profit on ordinary activities	10	**20,894**	(80,306)
Loss for the year after taxation		**(80,880)**	(34,068)
Other comprehensive income			
Actuarial gain	22	**960**	6,669
Deferred taxation arising on actuarial gain	10	**(182)**	(1,267)
Other comprehensive income for the year		**778**	5,402
Total comprehensive loss for the year		**(80,102)**	(28,666)

Group Statement of Financial Position

as at 31 March 2021

	Note	2021 £000	2020 £000
Fixed assets			
Investment properties	12	**4,546,212**	4,678,472
Tangible fixed assets	13	**12,387**	5,938
		4,558,599	4,684,410
Current assets			
Derivative financial assets due after more than one year	24	**39,112**	84,724
Debtors	15	**56,280**	42,858
Cash and cash equivalents		**38,004**	48,637
		133,396	176,219
Creditors: amounts falling due within one year	16	**(118,468)**	(50,548)
Net current assets		**14,928**	125,671
Total assets less current liabilities		**4,573,527**	4,810,081
Creditors: amounts falling due after more than one year			
Bank loans, other borrowings and other creditors	17	**(623,914)**	(716,451)
Derivative financial liabilities	24	**(23,714)**	(30,387)
Net assets excluding provisions		**3,925,899**	4,063,243
Provisions			
Defined benefit pension liability	22	**(1,639)**	(3,344)
Deferred tax liability	10	**(647,318)**	(677,355)
Net assets		**3,276,942**	3,382,544
Capital and reserves			
Called up share capital	19	**2,667**	2,667
Merger reserve	20	**2,917**	2,917
Revaluation reserve	20	**2,750,018**	2,900,528
Other reserve	20	**183,677**	161,144
Profit and loss account	20	**337,663**	315,288
Shareholders' funds		**3,276,942**	3,382,544

The accounts were approved by the Board of Directors on 17 August 2021 and were signed on its behalf by:

M. Kl

Mark Kildea
Director

Andrew Griffith
Director

The notes on pages 60 to 82 form part of these financial statements.

Group Statement of Changes in Equity

for the year ended 31 March 2021

	Called up share capital £000	Merger reserve £000	Revaluation reserve £000	Other reserve £000	Profit & loss account £000	Shareholders' funds £000
At 1 April 2019	2,667	2,917	3,022,389	149,453	271,014	3,448,440
Loss for the year	–	–	–	–	(34,068)	(34,068)
Other comprehensive income	–	–	–	–	5,402	5,402
Total comprehensive loss for the year	–	–	–	–	(28,666)	(28,666)
Transfer of:						
– investment property revaluation losses	–	–	(47,650)	–	47,650	–
– deferred taxation arising on investment properties	–	–	(63,522)	–	63,522	–
– realised profits	–	–	(10,689)	11,691	(1,002)	–
Equity dividends paid	–	–	–	–	(37,230)	(37,230)
At 31 March 2020	2,667	2,917	2,900,528	161,144	315,288	3,382,544
At 1 April 2020	**2,667**	**2,917**	**2,900,528**	**161,144**	**315,288**	**3,382,544**
Loss for the year	–	–	–	–	(80,880)	(80,880)
Other comprehensive income	–	–	–	–	778	778
Total comprehensive loss for the year	–	–	–	–	(80,102)	(80,102)
Transfer of:						
– investment property revaluation losses	–	–	(160,570)	–	160,570	–
– deferred taxation arising on investment properties	–	–	30,670	–	(30,670)	–
– realised profits	–	–	(20,610)	22,533	(1,923)	–
Equity dividends paid	–	–	–	–	(25,500)	(25,500)
At 31 March 2021	**2,667**	**2,917**	**2,750,018**	**183,677**	**337,663**	**3,276,942**

Group Statement of Cash Flows
for the year ended 31 March 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Cash flows from operating activities	21		**81,563**		100,767
Corporation tax paid			**(9,470)**		(22,550)
Net cash from operating activities			**72,093**		78,217
Cash flows from investing activities					
Interest received and other fees		**527**		542	
Additions to investment properties		**(48,177)**		(131,849)	
Additions to tangible fixed assets		**(6,788)**		(4,549)	
Proceeds from sales of investment properties		**21,328**		12,780	
Proceeds from sales of tangible fixed assets		**15**		–	
Net cash from investing activities			**(33,095)**		(123,076)
Cash flows from financing activities					
Interest paid		**(24,131)**		(22,179)	
New long-term borrowings		**-**		60,000	
Equity dividends paid		**(25,500)**		(37,230)	
Net cash used in financing activities			**(49,631)**		591
Net decrease in cash and cash equivalents			**(10,633)**		(44,268)
Cash and cash equivalents at 1 April	21		**48,637**		92,905
Cash and cash equivalents at 31 March	21		**38,004**		48,637

Company Statement of Financial Position
as at 31 March 2021

	Note	2021 £000	2020 £000
Fixed assets			
Investments	14	**240,683**	213,444
Current assets			
Cash and cash equivalents		**2**	6
Creditors: amounts falling due within one year	16	**(35)**	(28)
Net current liabilities		**(33)**	(22)
Net assets		**240,650**	213,422
Capital and reserves			
Called up share capital	19	**2,667**	2,667
Other reserve	20	**48,926**	48,926
Profit and loss account	20	**189,057**	161,829
Shareholders' funds		**240,650**	213,422

No profit and loss account is presented for Howard de Walden Estates Holdings Limited as permitted by section 408 of the Companies Act 2006.

The profit after tax for the financial year of the Company amounted to £52,728,000 (2020: £53,269,000).

The accounts were approved by the Board of Directors on 17 August 2021 and were signed on its behalf by:

Mark Kildea
Director

Andrew Griffith
Director

The notes on pages 60 to 82 form part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 March 2021

	Called up share capital £000	Other reserve £000	Profit & loss account £000	Shareholders' funds £000
At 1 April 2019	2,667	48,926	145,790	197,383
Profit for the year	–	–	53,269	53,269
Total comprehensive income for the year	–	–	53,269	53,269
Equity dividends paid	–	–	(37,230)	(37,230)
At 31 March 2020	2,667	48,926	161,829	213,422
At 1 April 2020	**2,667**	**48,926**	**161,829**	**213,422**
Profit for the year	–	–	52,728	**52,728**
Total comprehensive income for the year	–	–	52,728	**52,728**
Equity dividends paid	–	–	(25,500)	**(25,500)**
At 31 March 2021	**2,667**	**48,926**	**189,057**	**240,650**

Notes to the accounts
for the year ended 31 March 2021

1. Company information

Howard de Walden Estates Holdings Limited ('the Company') is a private limited liability company, limited by shares, incorporated in England and Wales. The registered office is 23 Queen Anne Street, London, W1G 9DL. Its registered number is 06439246.

The principal activity of the Group is long-term property investment.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom ('UK') Accounting Standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ('FRS 102') and with the Companies Act 2006.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and the modification to a fair value basis for certain financial instruments as specified in the accounting policies in note 4. The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £000.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The Group financial statements consolidate the financial statements of Howard de Walden Estates Holdings Limited and all its subsidiary undertakings drawn up to 31 March each year.

The Parent Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the reduced disclosure exemptions available to it in respect of these financial statements. Exemptions have been taken in relation to financial instruments and the presentation of a Statement of Cash Flows, as equivalent disclosures have been shown in the consolidated financial statements.

Going Concern

The directors have considered the significant impact COVID-19 continues to have on the macroeconomic conditions when considering the appropriateness of adopting the going concern basis. The Group's 12-month financial forecasts continue to factor in the adverse economic conditions created by COVID-19, particularly around rent collection and property redevelopments.

The forecasts demonstrated that the Group will have sufficient liquidity to fund its operations as well as appropriate headroom to comply with debt covenants.

Based on these considerations, the directors are satisfied that the Group remains a going concern and therefore, the Group continues to adopt the going concern basis in preparing its financial statements.

3. Significant accounting judgements and estimates

In applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions concerning the future. Judgements, estimates and underlying assumptions are based on historical experience and other factors available when the financial statements are prepared. They are reviewed on an ongoing basis and revised when necessary. Revisions to accounting estimates are recognised in the period in which they occur, as well as future periods if the revision affects both current and future periods.

In preparing the Group and Company financial statements, the judgements that may have a significant effect are those involving estimations which are explained below.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities include:

Investment property valuations

Valuation of investment property is a central component of the business. The Group carries its investment properties at fair value. In estimating the fair value, valuations are jointly overseen by the Group Property Director and the Group Head of Investment, on the basis of market value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The underlying rent and yield assumptions used in the valuation are independently reviewed by a third party, CBRE Limited. Estimated future refurbishment and void costs are also factored into the valuations. More information regarding the valuation techniques and inputs used in determining the fair value of the property portfolio is disclosed in note 12.

3. Significant accounting judgements and estimates (continued)

Debtors recoverability
Trade debtor balances are assessed for bad debts at the year end. Judgement is applied on a line-by-line basis to estimate the likelihood of recovery based upon the Group's detailed knowledge of our customers and their prevailing financial health. Estimation of recoverability is more judgemental than previous years due to the uncertainty created by COVID-19.

Financial instruments and fair value measurements
In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent that it is available. Information about the valuation techniques and inputs used in determining the fair value of derivative financial instruments is disclosed in note 24.

Defined benefit pension scheme
The present value of scheme liabilities, fair value of scheme assets and the expected annual charge in respect of the defined benefit pension scheme are determined according to estimates carried out by actuaries on the basis of assumptions agreed by the directors. The key assumptions underlying these calculations are set out in note 22.

Taxation
The Group applies judgement in the application of taxation regulations and makes estimates in calculating current corporation tax and deferred tax assets and liabilities, including when gains/losses are likely to be realised and the likely availability of future taxable profits against which deferred tax assets can be utilised. Current corporation tax and deferred tax assets and liabilities recognised are shown in note 10.

4. Principal accounting policies

Turnover and income recognition
Turnover represents the amounts receivable for rental income, goods and services, net of VAT.

Rental income is recognised on the basis of the amount receivable for the year. Where there is a rent free period and the amount is considered to be recoverable, the income is recognised evenly over the period of the lease term. The lease term is the non-cancellable period of the lease together with any further term for which the customer has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the customer will exercise that option. Amounts received from customers to terminate leases or to compensate for dilapidations are recognised in the Statement of Comprehensive Income when the right to receive them arises. Rents charged in advance are shown as deferred income in the Statement of Financial Position.

Rent concessions due to COVID-19
The FRC amended FRS 102 in respect of COVID-19 related rent concessions. Concessions issued as a direct consequence of COVID-19 and which satisfied the three conditions below are recognised on a systemic basis over the period that the change in lease payments is intended to compensate. Conditions:

- the change in lease payments results in revised consideration for the lease that is less than the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022;
- there is no significant change to other terms and conditions of the lease.

Concessions given in the year were typically in the form of a rent reduction for a particular quarter. As such, the concession has been recognised against rental income within Turnover in the Group Statement of Comprehensive Income. Concessions relating to the deferral of payment terms have no impact in the Statement of Comprehensive Income unless the balance is outstanding at the year end. Outstanding balances are assessed for recoverability as part of the review of year end trade debtor balances with any doubtful or bad debts being recognised as an expense within Property outgoings and cost of sales in the Group Statement of Comprehensive Income.

Investment properties
Investment properties are initially measured at cost, including any transaction costs. Investment properties are subsequently measured and included in the financial statements at fair value at each year end. Any surplus or deficit on revaluation is recognised initially in the Statement of Comprehensive Income. All revaluation movements are transferred to a non-distributable reserve called the Revaluation reserve unless a deficit below original cost, or its reversal, on an individual property is expected to be permanent in which case it remains in the Profit and loss account reserve as an impairment. Deferred tax is provided on these gains or losses at the substantively enacted rate of UK corporation tax.

4. Principal accounting policies (continued)

Tangible fixed assets
Land and buildings held and used in the Group's own activities for administrative purposes are stated in the Statement of Financial Position at cost.

Depreciation is provided on tangible fixed assets to write off the cost less estimated residual value of each asset over its expected useful economic life.

Freehold land and buildings are not depreciated, as the Group is satisfied that the residual value of these assets exceeds their carrying value.

Depreciation is provided on assets at the following rates:	
Leasehold land and buildings	— Straight line basis over the lease term
Plant and machinery	— 15% of cost*
Fixtures and fittings	— 15% of cost*
Motor vehicles	— 25% of written down value
Office equipment	— 25% of cost

* Where other assets have been installed in leasehold land and buildings, these items are depreciated on a straight line basis over the lease term.

Investment in subsidiaries
Investments in subsidiaries are accounted for at cost less provision for impairment in the individual financial statements. Amounts included as loans are recorded at transaction price and are receivable in more than one year.

Short term debtors and creditors
Debtors and creditors with no stated interest rate which are receivable or payable within one year are recorded at transaction price. Any losses arising from impairments or bad debts are recognised in the Statement of Comprehensive Income in property outgoings and cost of sales.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, net of bank overdrafts.

Deposits received from customers
Where deposits have been received from customers and placed in designated bank accounts, such amounts are not included in the Statement of Financial Position as assets of the Group nor as liabilities to customers. Amounts held at 31 March 2021 were £15,202,000 (2020: £16,030,000).

Operating leases
Group as a lessee
Operating lease costs are recognised as an operating expense in the Statement of Comprehensive Income on a straight line basis over the lease term.

Group as a lessor
Income in respect of operating leases are recognised within turnover in the Statement of Comprehensive Income on a straight line basis over the lease term, in accordance with the policy for income recognition.

Loan notes
Interest bearing bank loans and loan notes are initially recorded at transaction price representing amounts drawn, net of any issue costs or arrangement fees. All borrowings are subsequently measured at amortised cost using the effective interest rate method.

Arrangement fees
Costs incurred in the raising of loan finance are recorded as a deduction from the loan and subsequently amortised over the term of the loan using the effective interest rate method.

Derivative financial instruments
The Group uses financial derivatives, principally interest rate swaps and cross currency interest rate swaps, to manage its exposure to interest rate and foreign exchange risk and does not use them for trading. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each year end.

Amounts paid under interest rate swaps, both on obligations as they fall due and on early settlement, are recognised in the Statement of Comprehensive Income as interest payable and similar charges. Fair value movements on revaluation of derivative financial instruments are shown in the Statement of Comprehensive Income. The Group does not apply hedge accounting to its interest rate and cross currency interest rate swaps. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Profit on sale of investment properties
Profits or losses on the sale of investment properties are calculated by reference to the fair value at the end of the previous year, adjusted for any subsequent capital expenditure. Current year profits or losses are presented in the Statement of Comprehensive Income and realised profits or losses are subsequently transferred into the Other reserve as shown in the Statement of Changes in Equity.

4. Principal accounting policies (continued)

Foreign currencies
Transactions in currencies other than the functional currency of the Group are initially translated at the spot rate of exchange on the date of the transaction and recorded in the Group's functional currency.

Monetary items denominated in foreign currencies at the reporting date are retranslated at the rate prevailing at the end of the reporting period. Non-monetary items that are measured at historic cost in a foreign currency are not retranslated.

All exchange differences are recognised within the Statement of Comprehensive Income.

Taxation
Tax on profit on ordinary activities represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible timing differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at tax rates which are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year are recognised in the Statement of Comprehensive Income, except when they relate to items which are recognised in Other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in Other comprehensive income or directly in equity respectively.

Employee benefits
The Group runs a defined benefit scheme and a defined contribution scheme ('Group Personal Pension Plan') for its employees. Contributions payable to the Group Personal Pension Plan are charged to the Statement of Comprehensive Income as incurred. Pension costs relating to the defined benefit scheme are accounted for in accordance with FRS 102 section 28.

The defined benefit scheme's assets are measured at fair value, its obligations are calculated at discounted present value, and any net surplus or deficit is recognised in the Statement of Financial Position. Operating and financing costs are charged to the Statement of Comprehensive Income, with service costs spread systematically over employees' working lives, and financing costs expensed in the period in which they arise.

Re-measurements, comprising actuarial gains and losses and the return on the defined benefit scheme assets (excluding amounts included in net interest), are recognised in Other comprehensive income in the period in which they occur.

Professional actuaries are used in relation to the defined benefit scheme and the assumptions made are outlined in note 22.

Dividends
Final equity dividends are recognised when they are approved. Interim equity dividends are recognised when they are approved and paid.

Related party transactions
For the Parent Company, advantage has been taken of the exemption provided by paragraph 33.1A of FRS 102 of not disclosing transactions with entities that are wholly owned members of the Group.

5. Turnover and performance profit

	2021 £000	2020 £000
All of the Group's turnover arises in the United Kingdom	**133,681**	145,540

Analysis by class of business:

Turnover:	2021 £000	2020 £000
Rental income	**131,781**	144,428
Lease premiums	**962**	138
Other income	**938**	974
	133,681	145,540

Performance profit:	2021 £000	2020 £000
Rental income	**85,373**	98,937
Lease premiums	**962**	138
Other income	**938**	974
	87,273	100,049

6. Interest receivable and similar income

	2021 £000	2020 £000
Bank interest receivable	**52**	484
Other interest receivable	**148**	243
Interest on corporation tax	**–**	3
	200	730

7. Interest payable and similar charges

	2021 £000	2020 £000
Bank loans and overdrafts	**5,478**	4,635
Unsecured loan notes	**18,058**	18,057
Other interest payable	**15**	–
Amortisation of loan issue costs	**299**	243
Net finance charge relating to pensions	**68**	242
	23,918	23,177

8. (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation is stated after charging:	2021 £000	2020 £000
Auditor's remuneration:		
Fees payable to the Group's auditor for the audit of the Company's accounts	**20**	17
Fees payable to the Group's auditor and its associates for other services:		
— Audit of the accounts of subsidiaries	**110**	100
— Taxation compliance services	**133**	117
— Taxation advisory services	**62**	35
— Other non-assurance services	**192**	211
— Audit of the Howard de Walden Estates Limited Retirement Benefits Scheme	**10**	8
Depreciation (note 13)	**322**	414
Operating leases (investment properties)	**162**	174
Operating leases (land and buildings)	**492**	491
Operating leases (other)	**313**	375

9. Directors and employees

	2021 £000	2020 £000
Including directors:		
Salaries	**11,900**	11,992
Social security	**1,559**	1,555
Pension costs	**1,665**	1,739
	15,124	15,286

The average weekly number of persons employed by the Group in the UK during the year was 153 (2020: 147).

The Group operates a defined contribution scheme ('Group Personal Pension Plan') for the benefit of the employees and directors. The assets of the scheme are administered by an adviser.

Directors' emoluments

Remuneration in respect of Directors was as follows:	2021 £000	2020 £000
Aggregate emoluments	**3,054**	3,056
Pension contributions	**220**	195
	3,274	3,251

The Directors are considered to be key management personnel. The above aggregate emoluments represent short-term employee benefits payable to key management personnel. The above aggregate emoluments include those in respect of the highest paid director for the year ended 31 March 2021 of £811,000 (2020: £1,039,000) and a pension allowance of £71,000 (2020: £81,000).

At 31 March 2021 there were two (2020: one) directors accruing benefits under the Group Personal Pension Plan.

The Company, Howard de Walden Estates Holdings Limited, did not employ any members of staff during the year (2020: nil). All directors are remunerated through a subsidiary company, Howard de Walden Estates Limited.

10. Taxation

(A) Taxation on (loss)/profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2021 £000	**2021 £000**	2020 £000	2020 £000
Current tax:				
— UK Corporation tax		**9,966**		16,293
— Adjustments in respect of previous years		**(641)**		275
Total current tax charge for the year		**9,325**		16,568
Deferred tax:				
— Origination and reversal of timing differences	**366**		176	
— On transition adjustments on financial instruments	**85**		40	
— On revaluation of investment properties	**(30,670)**		63,522	
Total deferred tax (credit)/charge for the year		**(30,219)**		63,738
Tax (credit)/charge on (loss)/profit on ordinary activities		**(20,894)**		80,306

(B) Taxation included in Other comprehensive income

The tax charge is made up as follows:

	2021 £000	2020 £000
Total deferred tax charge for the year		
— Actuarial gain on pension scheme	**182**	1,267

(C) Factors affecting tax (credit)/charge for the year

The tax (credit)/charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
(Loss)/profit on ordinary activities before tax	**(101,774)**	46,238
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**(19,337)**	8,785
Effects of:		
Change in tax rates	**–**	72,304
Indexation deductible for tax purposes	**–**	11
Capital allowances in excess of depreciation	**(1,141)**	(1,204)
Expenses not deductible for tax purposes	**170**	139
Adjustments to tax charge in respect of previous years	**(641)**	275
Income not taxable for tax purposes	**1**	(9)
Other permanent differences	**54**	5
Total tax (credit)/charge for the year	**(20,894)**	80,306

10. Taxation (continued)

(D) Deferred taxation

	2021 £000	2020 £000
Included in provision for liabilities and charges	**(647,318)**	(677,355)

The liability for deferred tax comprises the following:		
— Decelerated capital allowances	**77**	300
— Investment properties	**(648,045)**	(678,715)
— Pension costs	**311**	636
— Transition adjustments on financial instruments	**339**	424
	(647,318)	(677,355)

The movements in the deferred tax provision have been charged to Total comprehensive income as follows:

	2021 £000	2021 £000	2020 £000	2020 £000
At 1 April		**(677,355)**		(612,350)
Profit and loss	**30,219**		(63,738)	
Other comprehensive income	**(182)**		(1,267)	
		30,037		(65,005)
At 31 March		**(647,318)**		(677,355)

(E) Factors that may affect future tax charges

The UK corporation tax rate was 19% for the year ended 31 March 2021 and the prior year. The rate was scheduled to reduce to 17% from April 2020 and the Group's deferred tax liabilities were calculated using the 17% rate at 31 March 2019. The reduction to 17% was cancelled and the rate of corporation tax remained at 19% from April 2020, as substantively enacted in the March 2020 budget. From 1 April 2023, the corporation tax rate will increase to 25% as substantively enacted on 24 May 2021. As this date is after the year end, the 19% rate has continued to be applied. Recalculating the deferred tax provision on investment properties will have a significant impact on the deferred tax provisions. If the 25% rate was applied this year, the deferred tax liability on investment properties would increase to £852,691,000.
In accordance with Accounting Standards, the impact of this higher rate will be reflected in the Group's financial statements next year.

11. Dividends

	2021 £000	2020 £000
Ordinary shares		
£4.51 per share paid on 22 May 2020		
(2020: £6.82 per share paid on 4 April 2019)	**12,000**	18,153
Nil paid		
(2020: £3.41 per share paid on 2 October 2019)	**–**	9,077
£5.07 per share paid on 4 December 2020		
(2020: £3.76 per share paid on 6 December 2019)	**13,500**	10,000
	25,500	37,230
'A' Shares		
Nil paid in the year (2020: Nil paid in the year)	**–**	–
	25,500	37,230

After the year end, dividends of £20,014,000 on ordinary shares (2020: £12,000,000) were approved and paid on 7 April 2021. Those dividends are not included in these accounts.

12. Investment properties (Group)

	Freehold £000	Leasehold £000	Total £000
Valuation			
At 1 April 2020	4,639,297	39,175	4,678,472
Additions	48,764	312	49,076
Disposals	(20,678)	(82)	(20,760)
Impairment	–	(6)	(6)
Revaluation	(151,522)	(9,048)	(160,570)
At 31 March 2021	**4,515,861**	**30,351**	**4,546,212**
At 31 March 2020	4,639,297	39,175	4,678,472

12. Investment properties (Group) (continued)

The historical cost of investment properties for the Group at 31 March 2021 was £1,148,160,000 (2020: £1,099,234,000).

The valuation of investment properties at 31 March 2021 and 31 March 2020 was jointly overseen by the Group's Property Director and the Group's Head of Investment. The valuations have been prepared on the basis of market value in accordance with the RICS Valuation – Global Standards 2017 (incorporating the International Valuation Standards). The underlying rent and yield assumptions used in the valuation were independently reviewed by CBRE Limited and were considered to be appropriate. The key assumptions used to determine the fair value of investment property are shown in the table below.

Property type	Key inputs	ERV Range/ Capital value range £psf	Yield range %
Healthcare[1]	ERV psf, Floor area, Capitalisation yields	£60.00-£89.00	3.25-4.25%
Residential[2]	Capital values psf, Floor area, Annual rental income	£840.00-£1,800.00	3.00-5.00%
Office[1]	ERV psf, Floor area, Capitalisation yields	£45.00-£85.00	3.75-4.75%
Retail[1]	ERV Zone A psf, Floor area, Capitalisation yields	£75.00-£300.00	4.25-4.50%
Restaurant[1]	ERV Adjusted psf, Floor area, Capitalisation yields	£60.00-£100.00	4.50%
Educational[1]	ERV psf, Floor area, Capitalisation yields	£45.00-£65.00	4.25-4.50%
Other[1]	ERV psf, Capitalisation yields	£nil-£50.00	3.50-8.00%
General deferment yields	–	–	3.75-5.00%

[1] Valuation method: income and capitalisation.
[2] Investment value.

Investment property rental income earned during the year was £131,781,000 (2020: £144,428,000) (note 5).

The Group had contracted future minimum lease receivables as set out in note 25.

13. Tangible fixed assets (Group)

	Land and buildings £000	Other assets £000	Total £000
Cost			
At 1 April 2020	5,028	1,900	6,928
Additions	2,335	4,453	6,788
Disposals	–	(40)	(40)
At 31 March 2021	7,363	6,313	13,676
Depreciation			
At 1 April 2020	69	921	990
Charge for the year	47	275	322
Eliminated on disposal	–	(23)	(23)
At 31 March 2021	116	1,173	1,289
Net book value			
At 31 March 2021	**7,247**	**5,140**	**12,387**
At 31 March 2020	4,959	979	5,938

The Group's permanent office building and temporary office building included within land and buildings are held at cost. The directors consider the fair value of our permanent office building to be £24,287,000 (2020: £23,886,000) as determined using the same assumptions and basis as detailed in note 12. No provision has been made for the tax which would arise should the Group dispose of its permanent office building at the fair value listed above. Tax would be payable on disposal to the extent that rollover relief would not be available. The potential tax liability which would arise on the sale of the Group's permanent office building, at the current rate of corporation tax, is approximately £3,069,000 (2020: £3,436,000).

14. Investments (Company)

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At 1 April 2020	1,336	212,108	213,444
Net payments	–	27,239	27,239
At 31 March 2021	**1,336**	**239,347**	**240,683**

Interests in subsidiaries

The Company holds 100% of the shares and voting rights of Howard de Walden Estates Limited, which directly and indirectly holds all of the other interests in the subsidiary companies. At the year end, the Company had interests in the following subsidiaries which are all registered in England and Wales:

Company	Type of Business	Proportion of voting rights & shares held
Howard de Walden Estates Limited	Property investment	100%
Portland Industrial Dwelling Company Limited*1	Property investment	100%
18 Marylebone Mews Limited	Property investment	100%
Howard de Walden Telecommunications Limited*1	Property investment	100%
Marylebone Village Limited*1	Property investment	100%
Howard de Walden Estates (TLC) Limited	Property investment	100%
Howard de Walden Estates (TLC LP2) Limited*1	Property investment	100%
The London Clinic Limited Partnership	Property investment	100%*4
Howard de Walden Estates (TLC GP) Limited*1	Property management	100%
Howard House Limited	Property management	N/A*3
Stone House Management Limited*1	Property management	100%
HDWPM Limited*1	Property management	100%
Howard de Walden Management Limited*2	Dormant	100%

*1 Company is exempt from the requirements of the Companies Act 2006 relating to the audit of the individual accounts by virtue of section 479A.
*2 Company is exempt from the requirements of the Companies Act 2006 relating to the audit of the individual accounts by virtue of section 480.
*3 Howard House Limited is a company limited by guarantee over which the Company has dominant influence.
*4 Proportion of voting rights held only.

The registered office for each subsidiary is 23 Queen Anne Street, London, W1G 9DL.

15. Debtors (Group)

	2021 £000	2020 £000
Due within one year:		
Trade debtors	**24,961**	19,181
Other debtors	**664**	1,013
Prepayments and accrued income	**23,437**	19,840
Capitalised arrangement fees	**685**	734
Derivative financial assets (note 24)	**6,470**	–
	56,217	40,768
Due after more than one year:		
Other debtors	**63**	2,090
	56,280	42,858

16. Creditors: amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade creditors	**3,951**	2,861	–	–
Other creditors	**1,040**	586	–	–
Corporation tax	**2,013**	2,158	–	–
Other taxation and social security	**979**	1,532	–	–
Accruals and deferred income	**42,497**	43,411	**35**	28
Derivative financial liabilities (note 24)	**303**	–	–	–
Bank loans and other borrowings (note 18)	**67,685**	–	–	–
	118,468	50,548	**35**	28

17. Creditors: amounts falling due after more than one year (Group)

	2021 £000	2020 £000
Bank loans and other borrowings (note 18)	**623,530**	716,055
Accruals and deferred income	**384**	396
	623,914	716,451

18. Analysis of borrowings (Group)

Unsecured loan notes (A):

Amounts falling due within one year	2021 £000	2021 £000	2020 £000	2020 £000
Issued 16 September 2011				
$52m loan notes expiring 16 September 2021 – 4.32%	**37,688**		–	
£30m loan notes expiring 16 September 2021 – 4.52%	**29,997**		–	
		67,685		–
Total unsecured borrowings due within one year		**67,685**		–
Amounts falling due in more than one year				
Issued 25 August 2010				
$25m loan notes expiring 16 July 2022 – 4.99%	**18,115**		20,192	
$86m loan notes expiring 16 July 2025 – 5.23%	**62,273**		69,416	
£25m loan notes expiring 16 July 2030 – 5.61%	**24,941**		24,935	
		105,329		114,543
Issued 16 September 2011				
$52m loan notes expiring 16 September 2021 – 4.32%	**–**		42,008	
$64m loan notes expiring 18 September 2023 – 4.46%	**46,364**		51,680	
$73m loan notes expiring 16 September 2026 – 4.66%	**52,848**		58,912	
£30m loan notes expiring 16 September 2021 – 4.52%	**–**		29,988	
		99,212		182,588
Issued 9 October 2014				
£20m loan notes expiring 16 October 2024 – 3.43%	**19,990**		19,987	
£40m loan notes expiring 16 October 2029 – 3.58%	**39,952**		39,946	
£40m loan notes expiring 16 October 2034 – 3.79%	**39,923**		39,917	
		99,865		99,850
Issued 14 September 2016				
£40m loan notes expiring 14 September 2031 – 2.54%	**39,922**		39,915	
£60m loan notes expiring 14 September 2036 – 2.74%	**59,828**		59,817	
		99,750		99,732
Issued 9 January 2019				
£40m loan notes expiring 9 January 2034 – 3.01%	**39,929**		39,924	
£30m loan notes expiring 9 January 2039 – 3.11%	**29,926**		29,922	
£45m loan notes expiring 9 January 2044 – 3.20%	**44,858**		44,851	
£45m loan notes expiring 9 January 2049 – 3.29%	**44,827**		44,820	
£35m loan notes expiring 14 November 2034 – 3.11%	**34,922**		34,917	
£10m loan notes expiring 14 November 2039 – 3.21%	**9,970**		9,968	
£15m loan notes expiring 14 November 2044 – 3.30%	**14,942**		14,940	
£30m loan notes expiring 9 September 2042 – 3.61%[*1]	**–**		–	
£30m loan notes expiring 9 September 2048 – 3.57%[*1]	**–**		–	
		219,374		219,342
Issued 15 October 2020				
£15m loan notes expiring 9 July 2055 – 2.51%[*2]	**–**		–	
£35m loan notes expiring 9 July 2055 – 2.56%[*3]	**–**		–	
		–		–
Total unsecured borrowings due more than one year		**623,530**		716,055

[*1] To be drawn 9 September 2021.
[*2] To be drawn 11 July 2022.
[*3] To be drawn 11 September 2023.

18. Analysis of borrowings (Group) continued

Borrowings are repayable as follows:	2021 £000	2020 £000
Instalments due:		
Within one year	**67,685**	–
Two to five years	**146,742**	163,855
Greater than five years	**476,788**	552,200
	691,215	716,055

(A) Unsecured loan notes

On 25 August 2010 the Group issued unsecured loan notes in a private placement. The Group has entered into derivative contracts in respect of the fixed rate US dollar loan notes totalling $111 million (£75 million equivalent), swapping the payments on the loan notes into sterling floating rates at a blended margin of 1.28% over LIBOR. The derivative contracts are in place to fix the amount of borrowings repayable at £100 million.

On 16 September 2011 the Group issued unsecured loan notes in a private placement. The Group has entered into derivative contracts in respect of the fixed rate loan notes swapping the payments on the loan notes into sterling floating rates at a blended margin of 1.15% over LIBOR. The derivative contracts are in place to fix the amount of borrowings repayable at £147.1 million.

On 9 October 2014 the Group issued a total of £100 million fixed rate unsecured loan notes in a private placement with an average rate payable of 3.63%.

On 14 September 2016 the Group issued £100 million of unsecured loan notes in a private placement with £40 million at a fixed rate of 2.54% and £60 million at a fixed rate of 2.74%.

On 9 January 2019 the Group agreed a total of £280 million of unsecured loan notes at different fixed rates of interest in a private placement with two tranches of delayed funding. £160 million was drawn on 9 January 2019 with £40 million at 3.01%, £30 million at 3.11%, £45 million at 3.20% and £45 million at 3.29%. A further £60 million was drawn on 14 November 2019 with £35 million at 3.11%, £10 million at 3.21% and £15 million at 3.30%. The final £60 million will be drawn on 9 September 2021 with £30 million at 3.61% and £30 million at 3.57%.

On 15 October 2020 the Group agreed £50 million of unsecured loan notes in a private placement comprised of two tranches of delayed funding. Both tranches attract fixed rates of interest, £15 million at 2.51% and £35 million at 2.56%. The £15 million tranche will be drawn on 11 July 2022 and the £35 million tranche will be drawn on 11 September 2023.

Unsecured loan notes denominated in US Dollars are retranslated at the rate prevailing at the reporting date. Arrangement fees are capitalised and once the loan notes are drawn, amortised up to the expiration of the loan notes. Arrangement fees relating to undrawn loan notes are included in prepayments at the year end.

The Group's borrowings are made up of:	2021 £000	2020 £000
Drawn loan debt in a mixture of US dollars and pounds sterling at forward contracted rates	**667,100**	667,100
Foreign currency exchange adjustments on the US dollar debt	**25,354**	50,324
Capitalised arrangement fees	**(1,239)**	(1,369)
	691,215	716,055

18. Analysis of borrowings (Group) continued

(B) Bank loans and overdrafts

The Group aims to have a minimum of 75% of current net debt subject to interest rate protection. The fixed rate protection is achieved via the use of interest rate swaps which attract varied levels of interest.

At 31 March 2021 the Group also had committed but undrawn credit facilities of £100,000,000 (2020: £100,000,000) under a revolving credit facility due to expire in December 2024. The margin payable is dependent on the level of utilisation with non-utilisation fees of 0.3675%. The minimum margin payable on this facility is 1.05% with the highest margin payable 1.40%. Arrangement fees capitalised under the revolving credit facility agreement are amortised over the term of the facility and are included within prepayments at the year end.

On 2 July 2021, the Group entered into an amendment and restatement agreement to vary the terms of the existing revolving credit facility. The term of the agreement remains unchanged, expiring in December 2024, however there are two annual extension options in the first two years allowing the facility to be extended up to December 2026, subject to credit approval and extension fees. The credit facilities were increased to £150 million. The margin payable is dependent on the level of utilisation with non-utilisation fees of 35% of the prevailing margin. The minimum margin payable on this facility is 1.20% and the highest margin payable is 1.55%.

19. Called up share capital (Group and Company)

	2021 £000	2020 £000
Allotted, called up and fully paid		
2,661,780 ordinary shares of £1 each	**2,662**	2,662
532,356 'A' shares of 1p each	**5**	5
	2,667	2,667

The holders of 'A' shares are entitled to receive dividends until 31 March 2024 exclusively from enfranchisement profits up to the amount of £8,000,000 per 4 year profit period. Enfranchisement profits are profits realised on the disposal of property by the Group pursuant to the provisions for residential leasehold enfranchisement under the leasehold reform legislation. The 'A' shareholders have no right to receive notice of or to attend and vote at general meetings of the Company in their capacity as holders of 'A' shares.

20. Reserves (Group and Company)

Merger reserve
The consolidated financial statements are prepared under the principles of merger accounting. This reserve is used to record the difference between the costs of the investment in the subsidiary companies and the nominal value of the share capital acquired that arose upon the group reconstruction.

Revaluation reserve
This non-distributable reserve is used to record:
- Cumulative fair value gains and losses on investment properties.
- Cumulative deferred tax on fair value gains and losses on investment properties.

Other reserve
This reserve is used to record cumulative realised profit and losses on property sales including enfranchisement property sales.

Profit and loss account
The Profit and loss account is used to record the cumulative retained profit and losses recognised in the Statement of Comprehensive Income less dividends and items transferred to the above reserves.

21. Notes to the Statement of Cash Flows (Group)

(A) Reconciliation of loss to net cash inflow from operating activities

	2021 £000	2020 £000
Loss for the year after taxation	**(80,880)**	(34,068)
Adjustments to reconcile loss for the year after taxation to cash generated from operations:		
Loss on revaluation of investment properties	**160,570**	47,650
Impairment of investment properties	**6**	–
Depreciation of tangible fixed assets	**322**	414
Loss on disposal of tangible fixed assets	**2**	33
Profit on sale of investment properties	**(3,043)**	(2,018)
Difference between pension charge and cash contributions	**(813)**	(618)
Interest receivable and similar income	**(200)**	(730)
Interest payable and similar charges	**23,918**	23,177
Fair value loss/(gain) on derivative financial instruments	**32,772**	(26,490)
(Gain)/loss on foreign currency exchange	**(24,970)**	12,222
(Increase)/decrease in debtors	**(4,853)**	75
(Decrease)/increase in creditors	**(374)**	814
Tax on (loss)/profit on ordinary activities	**(20,894)**	80,306
Cash generated from operations	**81,563**	100,767

21. Notes to the Statement of Cash Flows (Group) (continued)

(B) Cash and cash equivalents
Cash and cash equivalents comprise the following:

	2021 £000	2020 £000
Cash at bank and in hand	**38,004**	48,637

(C) Analysis of change in net debt

	At 1 April 2020 £000	Cash flows £000	Other non-cash changes £000	At 31 March 2021 £000
Cash and cash equivalents				
Cash	48,637	(10,633)	–	38,004
Overdrafts	–	–	–	–
Cash equivalents	–	–	–	–
	48,637	**(10,633)**	**–**	**38,004**
Borrowings				
Debt due within one year	–	–	(67,685)	(67,685)
Debt due after one year	(716,055)	–	92,525	(623,530)
	(716,055)	**–**	**24,840**	**(691,215)**
Total	**(667,418)**	**(10,633)**	**24,840**	**(653,211)**

22. Pensions (Group)

Defined benefit pension scheme

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2019 and updated to 31 March 2021 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown on the following pages.

The Group currently pays contributions at the rate of 63.3% of pensionable earnings plus £850,000 per annum deficit reduction contributions.

Present values of scheme liabilities, fair value of assets and deficit

	2021 £000	2020 £000
Fair value of plan assets	**41,086**	34,603
Present value of scheme liabilities	**(42,725)**	(37,947)
Defined benefit pension liability	**(1,639)**	(3,344)

Reconciliation of opening and closing balances of the fair value of scheme assets

	2021 £000	2020 £000
Fair value of scheme assets at start of year	**34,603**	34,936
Interest income	**803**	845
Actuarial gains/(losses)	**5,048**	(1,758)
Contributions by the Group	**1,361**	1,280
Benefits paid and expenses	**(729)**	(700)
Fair value of scheme assets at end of year	**41,086**	34,603

The actual return on the scheme assets over the year ending 31 March 2021 was a gain of £5,851,000 (2020: loss of £913,000).

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	2021 £000	2020 £000
Scheme liabilities at start of year	**37,947**	45,325
Current service cost	**548**	662
Interest expense	**871**	1,087
Actuarial losses/(gains)	**4,088**	(8,427)
Benefits paid and expenses	**(729)**	(700)
Scheme liabilities at end of year	**42,725**	37,947

Total expense recognised in the Statement of Comprehensive Income

	2021 £000	2020 £000
Current service cost	**548**	662
Net interest cost	**68**	242
	616	904

22. Pensions (Group) (continued)

Total expense recognised in Other comprehensive income

	2021 £000	2020 £000
Gains/(losses) arising on:		
Return on plan assets – gain/(loss)	**5,048**	(1,758)
Experience gains arising on the plan liabilities	**160**	2,680
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – (loss)/gain	**(4,248)**	5,747
	960	6,669

Assets

	2021 £000	2020 £000
Equity	**13,463**	11,260
Bonds	**12,324**	16,235
Index linked gilts	**5,110**	1,929
Diversified growth	**5,256**	–
Property	**2,177**	2,179
Cash/other	**2,756**	3,000
Total assets	**41,086**	34,603

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Assumptions

	2021 % per annum	2020 % per annum
Discount rate	**2.20**	2.30
Inflation (RPI)	**3.25**	2.60
Salary growth	**4.75**	4.10
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.25**	2.60
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.25**	2.60
Allowance for commutation of pension for cash at retirement	**No allowance**	No allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies at age 62 (in years):

Male retiring in 2021	25.4
Female retiring in 2021	27.3
Male retiring in 2041	26.9
Female retiring in 2041	28.8

Group Personal Pension Plan

The Group makes contributions to a Group Personal Pension Plan. Contributions for the financial year were £733,000 (2020: £696,000).

23. Financial instruments (Group)

The carrying value of the Group's financial assets and liabilities are summarised by category below:

Financial Assets	2021 £000	2020 £000
Measured at fair value through profit or loss:		
– Derivative financial assets	**45,582**	84,724
Financial Liabilities		
Measured at fair value through profit or loss:		
– Derivative financial liabilities	**24,017**	30,387

The Group gains and losses in respect of financial instruments are summarised below:

Fair value gains/(losses)	2021 £000	2020 £000
On derivative financial assets measured at fair value through profit and loss	**(39,142)**	28,549
On derivative financial liabilities measured at fair value through profit and loss	**6,370**	(2,059)
	(32,772)	26,490

24. Derivative financial instruments (Group)

Due within one year:	2021 £000	2020 £000
Assets		
Interest rate swaps	**444**	–
Cross currency interest rate swaps	**6,026**	–
Assets due within one year (note 15)	**6,470**	–
Liabilities		
Interest rate swaps (note 16)	**303**	–

Due after more than one year:	2021 £000	2020 £000
Assets		
Interest rate swaps	**–**	1,200
Cross currency interest rate swaps	**39,112**	83,524
	39,112	84,724
Liabilities		
Interest rate swaps	**23,714**	30,387

In assessing fair value, the directors use their judgement to select suitable valuation techniques and make assumptions which are mainly based on market conditions existing at the year end date. The fair value of interest rate swaps and cross currency interest rate swaps is determined by using an independent pricing service which discounts estimated future cash flows based on the terms and maturity of each contract and uses market interest rates for similar instruments at the measurement date. These values are tested for reasonableness against counter party quotes.

25. Lease commitments

The Group had the following annual commitments under non-cancellable operating leases in respect of investment properties at the year end:

Due:	2021 £000	2020 £000
Within one year	**13**	99
Between one and five years	**50**	50
More than five years	**143**	156
	206	305

The Group had the following future minimum operating lease receivables under non-cancellable operating leases in respect of investment properties at the year end:

Due:	2021 £000	2020 £000
Within one year	**102,708**	117,281
Between one and five years	**261,802**	304,264
More than five years	**1,252,389**	1,245,507
	1,616,899	1,667,052

The Group had the following annual commitments under non-cancellable operating leases in respect of land and buildings at the year end:

Due:	2021 £000	2020 £000
Within one year	**200**	471
Between one and five years	**–**	–
More than five years	**–**	–
	200	471

The Group had the following annual commitments under non-cancellable operating leases in respect of other assets at the year end:

Due:	2021 £000	2020 £000
Within one year	**84**	149
Between one and five years	**35**	111
More than five years	**–**	–
	119	260

26. Control and related party transactions

The principal family trust which controls the Group is the Lord Howard de Walden and Seaford's Marriage Settlement Children's Trust ('the Trust'). The Trust received dividends on ordinary shares of £15,244,000 (2020: £22,256,000) and dividends on 'A' shares of £nil (2020: £nil) during the year.

During the year, the Group paid £195,000 (2020: £176,000) to the Trustees of the Trust, one of whom is a Company Director, in respect of services. At the year end, £26,000 (2020: £26,000) was included within trade creditors.

During the year, the Group paid £100,000 (2020: £85,000) to Elton Estates Company Limited, a company in which the Chairman holds a controlling interest, in respect of services. At the year end, no balances were outstanding (2020: £nil).

During the year, £146,000 (2020: £187,000) was paid by the Group in respect of costs incurred by the Howard de Walden Estates Limited Retirement Benefit Scheme.

THE FOLLOWING STATEMENT DOES NOT FORM PART OF THE AUDITED STATUTORY ACCOUNTS OF THE GROUP

Group trading account
for the year ended 31 March 2021

	2021 £000	2021 £000	2020 £000	2020 £000
Turnover				
Rental income		**131,781**		144,428
Lease premiums		**962**		138
		132,743		144,566
Insurance commission	**871**		824	
Management fees	**–**		6	
Sundry fees	**67**		144	
		938		974
		133,681		145,540
Property outgoings and cost of sales				
Salaries and pensions	**991**		977	
Social security costs	**78**		70	
Rates	**1,920**		244	
Lighting and heating	**728**		881	
Repairs and maintenance	**10,423**		11,313	
Insurance	**1,776**		1,570	
Postage, stationery and telephone	**105**		81	
Professional charges	**3,460**		3,586	
Furniture rental	**254**		314	
General expenses	**1,390**		1,388	
Bad debts – trade	**3,233**		1,842	
Depreciation - tangible fixed assets	**16**		23	
Impairment – leasehold property	**6**		–	
Rent payable	**162**		174	
		(24,542)		(22,463)
Gross profit		**109,139**		123,077

Group trading account
for the year ended 31 March 2021

	2021 £000	2021 £000	2020 £000	2020 £000
Gross profit		**109,139**		123,077
Administrative expenses				
Directors' fees	**448**		375	
Directors' salaries and pensions	**2,792**		2,868	
Former Directors' pensions	**23**		22	
Salaries, wages and pensions	**9,025**		9,182	
Social security costs	**1,481**		1,485	
Net operating charge relating to pensions	**548**		662	
Rates	**301**		725	
Lighting and heating	**30**		44	
Repairs and maintenance	**546**		550	
Insurance	**378**		383	
Postage, stationery and telephone	**135**		255	
Professional charges	**3,065**		3,410	
Audit fees	**168**		150	
IT costs	**937**		712	
General expenses	**406**		543	
Donations	**783**		747	
Depreciation:				
- Leasehold land and buildings	**47**		43	
- Furniture and equipment	**244**		219	
- Motor vehicles	**7**		15	
- Plant and machinery	**8**		114	
Rent payable	**492**		491	
Loss/(profit) on disposal of tangible fixed assets	**2**		33	
		(21,866)		(23,028)
Performance profit		**87,273**		100,049
(Loss)/gain on revaluation of investment properties				
On revaluation of freehold properties	**(151,522)**		(53,637)	
On revaluation of leasehold properties	**(9,048)**		5,987	
		(160,570)		(47,650)
Subtotal carried forward		**(73,297)**		52,399

Group trading account
for the year ended 31 March 2021

	2021 £000	2021 £000	2020 £000	2020 £000
Subtotal brought forward		**(73,297)**		52,399
Profit on sale of investment properties				
LRA disposals	**1,143**		1,559	
Other property disposals	**1,900**		459	
		3,043		2,018
Interest receivable and similar income				
Bank interest receivable	**52**		484	
Other interest receivable	**148**		243	
Interest on corporation tax	**-**		3	
		200		730
Interest payable and similar charges				
Bank loans and associated derivative payments	**5,478**		4,635	
Other loans and associated derivative payments	**18,058**		18,057	
Other interest payable	**15**		–	
Amortisation of loan issue costs	**299**		243	
Net finance charge relating to pensions	**68**		242	
		(23,918)		(23,177)
Fair value (loss)/gain on derivative financial instruments		**(32,772)**		26,490
Gain/(loss) on foreign currency exchange		**24,970**		(12,222)
(Loss)/profit on ordinary activities before taxation		**(101,774)**		46,238

Group trading account
for the year ended 31 March 2021

	2021 £000	2021 £000	2020 £000	2020 £000
(Loss)/profit on ordinary activities before taxation		**(101,774)**		46,238
Tax on (loss)/profit on ordinary activities				
Capital	**647**		478	
Revenue	**8,678**		16,090	
	(9,325)		(16,568)	
Deferred tax on (loss)/profit on ordinary activities				
Revaluation of investment properties	**(30,670)**		63,522	
Fair value movement of derivatives	**(104)**		(50)	
Foreign exchange losses	**189**		90	
Other timing differences	**366**		176	
	30,219		(63,738)	
		20,894		(80,306)
Loss on ordinary activities after tax		**(80,880)**		(34,068)
Other comprehensive income				
Actuarial gain	**960**		6,669	
Deferred taxation arising on actuarial gain	**(182)**		(1,267)	
		778		5,402
Total comprehensive loss for the year		**(80,102)**		(28,666)

Group trading account
for the year ended 31 March 2021

	2021 £000	2021 £000	2020 £000	2020 £000
Total comprehensive loss for the year		**(80,102)**		(28,666)
Transfer out to revaluation reserve				
– Revaluation movement – Investment properties	**(160,570)**		(47,650)	
– Deferred tax movement – Investment properties	**30,670**		(63,522)	
		129,900		111,172
Transfer in of realised profits				
– Profit on LRA disposals	**19,048**		10,409	
– Profit on non-LRA disposals	**1,562**		280	
		20,610		10,689
Transfer out of realised profits				
– Realised profits brought forward	**20,610**		10,689	
– Legal and professional fees re: disposals	**(473)**		(538)	
	(20,137)		(10,151)	
– Current year profit on disposal	**3,043**		2,018	
– Less: tax thereon	**(647)**		(478)	
	(2,396)		(1,540)	
		(22,533)		(11,691)
Dividends				
– On ordinary shares	**25,500**		37,230	
– On 'A' shares	**–**		–	
		(25,500)		(37,230)
Increase in profit and loss account in year		**22,375**		44,274
Profit and loss account brought forward		**315,288**		271,014
Profit and loss account carried forward		**337,663**		315,288

Five year summary
Based on the financial statements for the years ended 31 March

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Group Statement of Comprehensive Income					
Rental income*	**131.8**	144.4	135.9	127.5	117.8
Revenue profit before tax**	**63.6**	77.6	81.6	75.4	67.7

Group Statement of Financial Position					
Investment properties	**4,546.2**	4,678.5	4,605.6	4,427.2	4,236.6
Shareholders' funds	**3,276.9**	3,382.5	3,448.4	3,360.0	3,209.9
Gearing	**19.2%**	18.3%	14.9%	11.3%	11.4%

*Includes lease premiums.

**Excludes profits and losses from sale of investment properties, one off termination costs in respect of derivative financial instruments and gains or losses on investment properties, derivative financial instruments and foreign exchange.

Definitions

Annual General Meeting (AGM)
Gathering of the directors and shareholders once a year to discuss the previous year's activities and accounts.

Conservation area
An area of special architectural interest. Planning permission is required to carry out external alterations to buildings in a conservation area whether or not they are listed.

Considerate Constructors Scheme (CCS)
A non-profit-making, independent organisation founded in 1997 by the construction industry to improve its image. Construction sites, companies and suppliers voluntarily register with the Scheme and agree to abide by the Code of Considerate Practice, designed to encourage best practice beyond statutory requirements.

Derivative financial instrument
Includes currency and interest rate swaps, used to exchange US dollar debt to sterling.

Estimated rental value (ERV)
The open market rent which, on the valuation date, could be expected to be obtained on a new letting or rent review of a property.

Gearing
Net debt as a percentage of Shareholders' funds.

Harley Street Medical Area (HSMA)
A concentrated area of medical excellence in Marylebone. Home to hundreds of independent practitioners, small clinics and full scale hospitals, covering an unrivalled array of medical specialties and related professions.

Health and Safety Executive (HSE)
The body responsible for the encouragement, regulation and enforcement of workplace health, safety and welfare, and for research into occupational risks in the UK.

Interest cover
Performance profit divided by net finance costs.

Interest rate swap
A financial instrument where two parties agree to exchange an interest rate obligation for a pre-determined period of time. These are used to convert floating rate debt to fixed rates.

Investment property
A property that is held for the purposes of earning rental income or for capital appreciation or both.

Institution of Occupational Safety and Health (IOSH)
Chartered body for health and safety professionals.

Key performance indicators (KPIs)
Measures used by the Group to ensure that our business model is effective and our strategic objectives are met.

Last year
The financial year ended 31 March 2020.

Leasehold Reform Legislation
Legislation derived from the Leasehold Reform Act, including subsequent amendments and additions, which allows for the lessee of a residential property to extend the lease or acquire the freehold under certain provisions.

London Inter-Bank Offer Rate (LIBOR)
The average rate at which a selection of banks on the London money market are prepared to lend to one another.

Net debt
Total borrowings at forward contracted rates minus cash held.

Net finance costs
Interest payable excluding the finance charge relating to pensions, less interest receivable.

Passing rent
The annual rental income receivable as at the year end date. Excludes rental income where a rent free period is in operation.

Performance profit
Represents profit made from operations. Turnover less property outgoings and cost of sales and administrative expenses.

Private placement
Borrowings sourced from financial institutions other than banks, where loan notes are issued to investors.

Redevelopment
Substantial works undertaken which fundamentally alter the structure of properties, or parts thereof, to prevent them from becoming obsolete.

Refurbishment
Works undertaken to repair and maintain properties, or parts thereof, without significant structural changes, to prevent them becoming obsolete.

Rent roll
The annual contracted rental income at a particular point in time.

Revenue profit before tax
A measure of the recurring profit performance. Excludes profits and losses from the sales of investment properties, one off termination costs in respect of derivative financial instruments, gains or losses on revaluation of investment properties, gains or losses on derivative financial instruments and gains or losses on foreign exchange.

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)
2013 Statutory Instrument of the Parliament of the United Kingdom. It regulates the statutory obligation to report deaths, injuries, diseases and 'dangerous occurrences', including near misses that take place at work or in connection with work.

Scope 1, 2 and 3 emissions
Scope 1 refers to direct emissions from sources owned or controlled by the Group. Scope 2 refers to indirect emissions from purchased electricity. Scope 3 refers to all other indirect, upstream and downstream value chain emission sources not owned or controlled by the Group.

Scope 1 & 2 (location-based)
A location-based method reflects the average emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data.

Scope 1 & 2 (market-based)
A market-based method reflects emissions from electricity that the Group have purposefully chosen.

Shareholders' funds
The value of Shareholders' investment in the Group.

Shareholder value
A measure of the Group's ability to generate net asset increases for shareholders. It is represented by the increase in shareholders' funds, plus dividends paid during the year, expressed as a percentage of opening shareholders' funds.

This year
The financial year ended 31 March 2021.

UK Corporate Governance Code
The UK Corporate Governance Code is sponsored by the Financial Reporting Council (FRC). The FRC monitors the implementation of standards and promotes best practice by companies, by issuing guidance, such as the Code. The Code covers such issues as board composition and effectiveness, the role of board committees, risk management, remuneration and relations with shareholders.

Yield
The anticipated income return from an investment property.

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