

**Daejan Properties Limited**

**Annual Report and Accounts**

**Registered number 00629396**

**31 March 2018**



## Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	4
Independent auditor's report to the members of Daejan Properties Limited	5
Profit and loss account and other comprehensive income	7
Statement of changes in equity	8
Balance sheet	9
Notes	10

## Strategic report

The directors present their strategic report for the year ended 31 March 2018.

In accordance with Section 414A(1) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, we have prepared a strategic report which includes a review of the Company's business and future developments, a description of the principal risks and uncertainties facing the Company and the Company's key performance indicators. The purpose of the strategic report is to inform members of the Company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company).

### Principal activities and business model

The principal activity of the Company is property investment in commercial, industrial and residential properties in the UK. From time to time the Company undertakes new developments and also the redevelopment of existing properties. The Company's business model is generally to hold its properties for the long term in order to generate rental income and capital appreciation. However, each of the Company's investment properties is considered to be potentially for sale in the right circumstances.

### Results

The profit for the year of £24.1 million (2017: £38.5 million) has been transferred to reserves.

### Business review and future developments

The profit for the year before tax was £28.5 million (2017: £43.1 million), a decrease year on year of £14.6 million, primarily due to a £10.5 million decrease in net valuation gains on investment property for the year. Rents and service charges receivable were £16.5 million (2017: £17.4 million) and property expenses £13.6 million (2017: £13.0 million). The decrease in turnover was primarily due to a decrease in service charges charged, as the prior year included income to recover costs on major works that were not repeated this year and an over accrual of unbilled service charges that was reversed in the current year. Rents receivable throughout the portfolio have generally increased.

Profit on disposal of investment property totalled £3.0 million (2017: £5.8 million) during the year and additions to our properties totalled £2.7 million (2017: £2.7 million). There were no significant property disposals during the year, with the profits on sale of investment property representing sales of lease extensions. The £2.7 million in additions mainly relates to capitalised expenditure to convert a commercial property into a residential block (£2.5 million).

The Company is financed by inter-group loans and pays interest on these loans at 3.84% (2017: 3.94%).

A professional valuation of all the Company's investment portfolio was carried out at 31 March 2018 by Colliers International Property Advisers UK LLP, RICS Registered Valuers. The fair value at the year end totalled £385.1 million (2017: £357.5 million) producing a surplus of £24.8 million (2017: £35.3 million) which has been included in the profit and loss account and other comprehensive income. Of the Company's property portfolio at valuation, £332.2 million is residential (2017: £312.7 million) and £52.9 million is commercial (2017: £44.8 million).

Continuing political and economic uncertainty in the UK will provide a challenging environment for the Company in the coming year. Although the UK is due to leave the European Union in March 2019 the basis of departure and the arrangements which will follow are still completely unclear. Forecasts of economic growth continue to be revised downwards.

We remain committed to the pursuit of the long term growth in net asset value created by projects of development and enhancement designed to generate significant increases in rental values. The timing of major projects is driven by general economic conditions, planning and construction timetables and does not necessarily align with the annual reporting cycle.

## Strategic report (continued)

### Business review and future developments (continued)

Whilst it is extremely difficult to see with any clarity what the immediate future holds, the fundamentals of the Company are strong and its gearing is low. This gives us confidence that once the UK economy emerges from this difficult period the Company will be well placed for continued growth.

### Key performance indicators (KPIs)

The Board monitors the Company's progress against its strategic objectives and the financial performance of its operations on a regular basis. Performance is assessed against the strategy and expectations using financial and non-financial measures. The most significant KPIs used by the Company are as follows:

	2018	2017
	£m	£m
Investment property at fair value	385.0	357.5
Profit before tax	28.5	43.1
Revaluation gain	24.8	35.3
Rent and service charges receivable less property outgoings	2.9	4.3

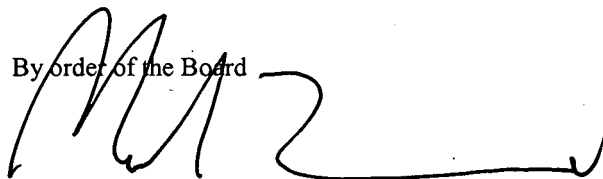
### Principal risks and uncertainties

The principal risks to which the Company is exposed are:

- Tenant defaults
- Damage to properties from flood, fire or terrorist action
- Changes in regulations on building standards, environmental or health and safety rules
- Increases in the cost of borrowing
- Inappropriate acquisitions
- Planning, construction and letting risk in relation to redevelopment activity
- The economic cycle generally

The Company, in conjunction with its parent company, Daejan Holdings PLC, seeks to manage or mitigate such risks wherever possible through such measures as insurance, tenant screening and monitoring, fixed rate borrowing, rigorous review of acquisition and development opportunities, external expert advice and regular monitoring of the economic outlook. Overall, in spite of the risks, the Company's prudent long term approach to property trading gives the directors confidence for the future.

By order of the Board



**MRM Jenner**  
Secretary

Registered Office  
158-162 Shaftesbury Avenue,  
London WC2H 8HR  
Registered in England  
12 December 2018

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

The Company's registered number is 00629396.

### Results and dividends

The results for the year are set out in the attached profit and loss account and other comprehensive income and explanatory notes. The financial position of the company at the end of the year is set out in the attached balance sheet and explanatory notes.

The Company did not pay a dividend in the year (2017: £nil). The directors do not propose a final dividend for the year (2017: £nil).

### Future developments

The Company has chosen, in accordance with the Companies Act section 414C (11) to include the disclosure of likely future developments in the Strategic Report.

### Directors and directors' interests

The directors who held office during the year were as follows:

BSE Freshwater (Chairman)  
D Davis

The Articles of Association of the Company do not require the directors to retire by rotation.

The directors do not have service contracts.

The majority of the day-to-day management of the Company's properties and its operations are carried out by Highdorn Co. Limited. Mr BSE Freshwater is a director of, but has no beneficial interest in the share capital of, Highdorn Co. Limited.

Neither of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company. Their interests, and those of their families and family trusts, in the share capital of the ultimate holding company, Daejan Holdings PLC, are set out in the directors' report of that company.

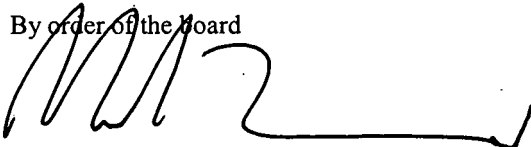
### Disclosure of information to auditor

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

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



MRM Jenner  
Secretary

Registered Office  
Freshwater House  
158-162 Shaftesbury Avenue  
London WC2H 8HR  
12 December 2018

## Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

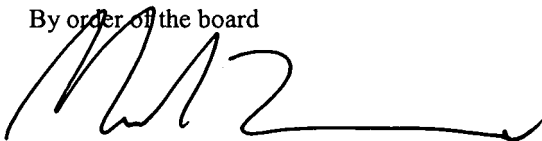
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the board



**MRM Jenner**  
Secretary

Registered Office  
Freshwater House  
158-162 Shaftesbury Avenue  
London WC2H 8HR  
12 December 2018

## **Independent Auditor's Report to the Members of Daejan Properties Limited**

**Year ended 31 March 2018**

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### **Opinion**

We have audited the financial statements of Daejan Properties Limited for the year ended 31 March 2018 which comprise the balance sheet, the profit and loss account and other comprehensive income, the statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Other information**

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

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

## **Independent Auditor's Report to the Members of Daejan Properties Limited**

**Year ended 31 March 2018**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 1, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

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



## **Independent Auditor's Report to the Members of Daejan Properties Limited**

**Year ended 31 March 2018**

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

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



**Richard Kelly (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

15 Canada Square  
London E14 5GL

17 December 2018

**Profit and loss account and other comprehensive income**  
*for the year ended 31 March 2018*

	<i>Note</i>	2018 £	2017 £
<b>Turnover</b>	3	<b>16,497,895</b>	17,381,827
Property outgoings		<b>(13,589,664)</b>	(13,039,925)
<b>Rents and service charges receivable less property outgoings</b>		<b>2,908,231</b>	4,341,902
Profit on disposal of investment property		<b>2,962,125</b>	5,751,248
Net valuation gains on investment property		<b>24,835,951</b>	35,258,172
Administrative expenses		<b>(2,406,890)</b>	(3,029,752)
<b>Operating profit</b>	4	<b>28,299,417</b>	42,321,570
Interest receivable and similar income	5	<b>7,289,534</b>	7,187,218
Interest payable and similar charges	6	<b>(7,081,530)</b>	(6,381,611)
<b>Profit on ordinary activities before taxation</b>		<b>28,507,421</b>	43,127,177
Tax on profit on ordinary activities	9	<b>(4,402,370)</b>	(4,663,664)
<b>Total comprehensive income and total comprehensive income for the financial year</b>		<b>24,105,051</b>	38,463,513

The notes on pages 10 to 19 form part of these financial statements.

All activities are continuing.

There were no recognised gains or losses other than the profit for the financial year.

**Statement of changes in equity  
for the year ended 31 March 2018**

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2016	1,000	280,204,044	280,205,044
Total comprehensive income and total comprehensive income for the financial year	-	38,463,513	38,463,513
<b>Balance at 31 March 2017</b>	<b>1,000</b>	<b>318,667,557</b>	<b>318,668,557</b>

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2017	1,000	318,667,557	318,668,557
Total comprehensive income and total comprehensive income for the financial year	-	24,105,051	24,105,051
<b>Balance at 31 March 2018</b>	<b>1,000</b>	<b>342,772,608</b>	<b>342,773,608</b>


The balance on the profit and loss account at 31 March 2018 includes £300,153,995 (2017: £279,070,954) of unrealised profits which are not available for distribution.

**Balance sheet**  
*at 31 March 2018*

	<i>Note</i>	2018	2017
		£	£
<b>Fixed assets</b>			
Investment property	<i>10</i>	385,030,800	357,508,774
Investment in subsidiaries	<i>11</i>	2	2
		<u>385,030,802</u>	<u>357,508,776</u>
<b>Current assets</b>			
Debtors	<i>12</i>	221,874,625	210,904,144
Cash at bank		7,535,846	4,500,780
		<u>229,410,471</u>	<u>215,404,924</u>
<b>Creditors: amounts falling due within one year</b>	<i>13</i>	<u>(213,622,912)</u>	<u>(199,967,954)</u>
<b>Net current assets</b>		<u>15,787,559</u>	<u>15,436,970</u>
<b>Total assets less current liabilities</b>		<u>400,818,361</u>	<u>372,945,746</u>
<b>Provisions for liabilities</b>			
Deferred tax liabilities	<i>14</i>	(58,044,753)	(54,277,189)
<b>Net assets</b>		<u>342,773,608</u>	<u>318,668,557</u>
<b>Capital and reserves</b>			
Called up share capital	<i>15</i>	1,000	1,000
Profit and loss account		342,772,608	318,667,557
<b>Total equity</b>		<u>342,773,608</u>	<u>318,668,557</u>

The notes on pages 10 to 19 form part of these financial statements.

These financial statements were approved by the board of directors on 12 December 2018 and were signed on its behalf by:

  
BSE Freshwater  
Director

Company registered number: 00629396

## Notes

*(forming part of the financial statements)*

### 1 Basis of preparation

Daejan Properties Limited (the “Company”) is a company limited by shares and incorporated in the UK. The Company’s Registered Office is Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”)*. The presentation currency of these financial statements is sterling.

The financial statements have been prepared under the historical cost convention except that investment property is measured at fair value.

The financial statements have been prepared on the going concern basis as the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due, based on the net asset position of the Company and available sources of finance.

The company is exempt by virtue of s400 of the Companies Act from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

### Disclosure exemptions

The Company’s ultimate parent undertaking, Daejan Holdings PLC includes the Company in its consolidated financial statements. The consolidated financial statements of Daejan Holdings PLC are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR. In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Key Management Personnel compensation; and
- Basic and other financial instruments.

### Related party transactions

The Company has taken advantage of the exemptions in FRS 102 in order to dispense with the requirements to disclose transactions with other companies in the Daejan Holdings PLC group.

## Notes (continued)

### 2 Accounting policies

#### Turnover

Turnover comprises rents and service charges receivable. Rental income from investment property leased out under operating leases is recognised in the profit and loss account on a straight line basis over the period to first break clause or reversion to market rent. Lease incentives granted to tenants are recognised on a straight line basis over the lease term. Service charge income is recognised as the services are provided.

#### Expenses

##### *Property outgoings*

The costs of repairs are recognised in the profit and loss account in the year in which they are incurred.

Lease payments under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease.

##### *Interest receivable and Interest payable*

Interest income and interest payable are recognised in the profit and loss account as they accrue. Borrowing costs that are directly attributable to the acquisition, construction or redevelopment of an asset that takes a substantial time to be prepared for use are expensed as incurred.

Interest receivable and similar income include interest receivable on inter-company loans and late payment charges.

#### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in the equity or comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Provision is made for consideration payable to or receivable from other group undertakings for the surrender of losses under group relief provisions.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expenses are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rate and allowances applicable to the sale of the property.

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

## **Notes** *(continued)*

### **2 Accounting policies** *(continued)*

#### **Investment property**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- a) Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the profit and loss account in the period that they arise; and
- b) No depreciation is provided in respect of investment properties applying the fair value model.

#### **Sales of investment properties**

The Company generally holds its properties for the long term in order to generate rental income and capital appreciation although in the right circumstances any property could be available for sale. When an outright sale does occur, the resulting surplus based on the excess of sales proceeds over valuation is included within the Company's profit on ordinary activities, and taxation applicable thereto is shown as part of the taxation charge. In addition the company also 'sells' leasehold extensions when requested by leaseholders. The proceeds of these leasehold extension sales, less directly applicable costs, are also included in profit on disposal of investment properties.

#### **Financial instruments**

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

##### ***Basic financial instruments***

###### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits.

###### ***Trade and other debtors***

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

###### ***Trade and other creditors***

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

**Notes (continued)**

**3 Turnover**

Turnover arises from:

	2018	2017
	£	£
Rent receivable	12,426,546	12,266,531
Service charge receivable	4,071,349	5,115,296
	16,497,895	17,381,827
	16,497,895	17,381,827

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

**4 Operating profit**

Operating profit is stated after charging:

	2018	2017
	£	£
Fees payable for the audit of these financial statements	49,200	48,000
Bad debt write offs	259,658	333,207
Movement in provision for bad debts	(187,690)	(201,458)

**5 Interest receivable and similar income**

	2018	2017
	£	£
Group interest receivable	7,271,000	7,153,000
External interest receivable	18,534	34,218
	7,289,534	7,187,218
	7,289,534	7,187,218

**6 Interest payable and similar charges**

	2018	2017
	£	£
Group interest payable	7,081,000	6,381,000
Bank interest payable	530	611
	7,081,530	6,381,611
	7,081,530	6,381,611



**Notes** (continued)

**7 Staff numbers and costs**

The Company does not have any employees (2017: none).

The staff provided by the property and administrative management company, Highdorn Co. Limited, are engaged under joint employment contracts with a fellow subsidiary of the Company and their costs subsequently recharged to the Company at a level appropriate to the activity of the Company. These recharges, which amounted to £1,556,000 during the year (2017: £1,364,000) and which represented an average of 32 staff (2017: 28), are included within administrative expenses.

In addition to the above, the Company's property outgoings includes the following employment costs relating to portorage staff:

	2018	2017
	£	£
Wages and Salaries	781,066	751,146
Social Security costs	75,448	71,093
Other pension costs	5,840	5,765
	<hr/>	<hr/>
	862,354	828,004
	<hr/> <hr/>	<hr/> <hr/>

The average number of portorage staff employed during the year was 29 (2017: 30).

**8 Remuneration of directors**

None of the directors received remuneration in respect of their services to the Company (2017: £nil).

**9 Taxation**

a) Analysis of charge for the year

	2018	2017
	£	£
<i>Current tax</i>		
UK corporation tax charge for the year	728,666	1,670,151
Adjustments in respect of prior years	(93,860)	(30,245)
	<hr/>	<hr/>
<b>Total current tax</b>	634,806	1,639,906
	<hr/>	<hr/>
<i>Deferred tax</i>		
Deferred tax charge for the year	3,766,124	5,867,596
Effect of change in tax rate (2017: 18% to 17%)	-	(2,847,413)
Adjustments in respect of prior years	1,440	3,575
	<hr/>	<hr/>
<b>Total deferred tax</b>	3,767,564	3,023,758
	<hr/>	<hr/>
<b>Total tax</b>	4,402,370	4,663,664
	<hr/> <hr/>	<hr/> <hr/>

All of the aggregate current and deferred tax relates to items that are recognised in the profit and loss account.

**Notes** *(continued)*

**9 Taxation** *(continued)*

**b) Factors affecting tax charge for the year**

The differences between the current tax charge for the year and a tax charge based on the standard rate of corporation tax in the UK are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<b>28,507,421</b>	43,127,177
	<u>                    </u>	<u>                    </u>
Current tax at the standard rate of corporation tax in the UK of 19% (2017: 20%)	<b>5,416,410</b>	8,625,435
<i>Effects of:</i>		
Expenses not deductible for tax purposes	<b>51,490</b>	114,389
Adjustment to tax charge in respect of prior years	<b>(92,420)</b>	(26,670)
Difference between chargeable gain and profit on disposal	-	-
Effect of change in tax rate (2017: 18% to 17%)	-	(2,847,413)
Indexation allowance	<b>(952,707)</b>	(1,184,038)
Capital allowances in excess of depreciation	<b>(20,403)</b>	(18,039)
	<u>                    </u>	<u>                    </u>
<b>Total tax charge</b>	<b>4,402,370</b>	4,663,664
	<u>                    </u>	<u>                    </u>

**c) Factors affecting future tax charges**

Legislation changes have been enacted that mean the UK Corporation Tax rate will reduce from 19% to 17% from 1 April 2020. This will reduce the company's future tax charge accordingly. The deferred tax balances at 31 March 2018 have been calculated based on the rate of 17%.

**Notes (continued)**

**10 Investment property**

	Freehold land and buildings	Long leasehold land and buildings	Short leasehold land and buildings	Total
	£	£	£	£
<i>At valuation</i>				
At 31 March 2017	83,013,349	272,763,190	1,732,235	357,508,774
Additions	2,688,490	-	-	2,688,490
Disposals	(2,350)	(65)	-	(2,415)
Revaluation	2,299,659	22,960,302	(424,010)	24,835,951
<b>At 31 March 2018</b>	<b>87,999,148</b>	<b>295,723,427</b>	<b>1,308,225</b>	<b>385,030,800</b>

The historical cost of investment properties included in the above valuation is £28,859,486 (2017: £26,173,411).

An independent professional revaluation of all of the Company's freehold and leasehold property was carried out on 31 March 2018 by Colliers International Property Advisers UK LLP, RICS Registered Valuers. The revaluation figures are based on open market value assessed in accordance with the RICS Valuation – Professional Standards (2014).

The aggregate professional valuations included in the above table have been reduced by an amount of £86,020 (2017: £36,891) relating to lease incentives included in other debtors.

**Valuation techniques and key inputs**

The company's residential houses and apartments £332.2 million (2017: £312.7 million) were valued using a sales valuation approach, derived from recent comparable transactions in the market, adjusted by applying discounts to reflect status of occupation and condition. The largest discounts were applied to those properties subject to registered tenancies, reflecting the relative difference in security of tenure, whilst the smallest discounts were applied to those properties subject to assured shorthold tenancies. The base discount for condition is 10%, reflecting current estimates of costs being incurred. Sales value assumptions were in the range £329 to £1,814 per square foot (2017: £330 to £1,851 per square foot).

The company's commercial units £52.9 million (2017: £44.8 million) were valued using the income capitalisation method, requiring the application of an appropriate market based yield to net operating income. Adjustments are made to allow for voids when less than five years are left under the current tenancy and to reflect market rent at the point of lease expiry or rent review. Equivalent yields used fell in the range 5.15% to 15.06% (2017: 5.78% to 14.39%) with an average of 6.60% (2017: 7.61%) and estimated rental values used fell in the range £1.50 to £75.05 per square foot (2017: £1.50 to £75.05), with an average of £21.97 per square foot (2017: £13.76).

**11 Investments in subsidiaries**

	Shares in subsidiary undertakings £
<i>At cost</i>	
At 31 March 2017 and 31 March 2018	2

The company's subsidiary undertaking whose registered office is Freshwater House, 158-162 Shaftesbury Avenue, London, WC2H 8HR, which is a property investment company, is as follows:

Name	Country of Incorporation	Interest in Share Capital	% held
Daejan (Lauderdale) Limited	UK	Ordinary shares	100%

**Notes (continued)**

**12 Debtors**

	2018 £	2017 £
Rents and service charges due and accrued	5,467,777	5,856,410
Amount owed by fellow subsidiary undertakings	212,122,398	190,871,727
Due from related parties (note 18)	2,687,412	12,273,254
Other debtors	1,597,038	1,902,753
	221,874,625	210,904,144

All debtors are payable within one year or are payable on demand. Inter-company loans are sterling loans repayable on demand with interest paid at the rate of 3.84% (2017: 3.94%).

**13 Creditors: amounts falling due within one year**

	2018 £	2017 £
Rents and service charges charged and paid in advance	4,318,587	2,674,868
Amount owed to parent undertaking	131,811,134	135,857,009
Amount owed to fellow subsidiary undertakings	66,491,477	48,615,256
Due to related parties (note 18)	686,550	454,230
Corporation tax	6,903,876	7,845,362
Other creditors and accruals	3,411,288	4,521,229
	213,622,912	199,967,954

All inter-company loans are sterling loans repayable on demand with interest paid at the rate of 3.84% (2017: 3.94%).

**14 Deferred tax liabilities**

	2018 £	2017 £
Investment property	57,981,174	54,228,264
Accelerated capital allowances	63,579	48,925
	58,044,753	54,277,189

	Investment property £	Accelerated capital allowances £	Total 2018 £	Total 2017 £
Balance at 1 April	54,228,264	48,925	54,277,189	51,253,431
Charge for the year	3,752,910	14,654	3,767,564	3,023,758
Balance at 31 March	57,981,174	63,579	58,044,753	54,277,189

## Notes (continued)

### 15 Called up share capital

	2018	2017
	£	£
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

### 16 Reserves

The profit and loss account reserves records retained earnings and accumulated losses.

### 17 Operating lease agreements

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2018	2017
	£	£
Due within one year	4,525,348	5,042,445
Due within one to two years	2,428,318	2,313,569
Due within two to five years	6,422,717	6,232,492
Due after more than five years	57,502,994	58,176,282
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	70,879,377	71,764,788
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

### 18 Related party transactions

The majority of the day-to-day management of the Company's properties and its operations are carried out by Highdorn Co. Limited ("Highdorn"). Mr BSE Freshwater is a director of, but has no beneficial interest in the share capital of, Highdorn. In their capacity as property managing agents, Highdorn collect rents and incur direct property expenses on behalf of the Company. At 31 March 2018, the net amount due from Highdorn was £2,000,862 (2017: £11,819,024). During the year £2,238,716 (2017: £1,285,703) was charged by Highdorn for the provision of a full range of management services, which were charged for at normal commercial rates. The credit balance outstanding in respect of these services at 31 March 2018 is £686,550 (2017: £454,230).

### 19 Parent company and ultimate parent company

The Company is controlled by its immediate parent company, Daejan Traders Limited.

The Company's ultimate controlling party is its ultimate parent company, Daejan Holdings PLC, which is incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by Daejan Holdings PLC. The consolidated financial statements of Daejan Holdings PLC are available to the public and may be obtained from the Daejan Holdings PLC website ([www.daejanholdings.com](http://www.daejanholdings.com)) or Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR. No other group financial statements include the results of the Company.

**Notes** *(continued)*

**20 Accounting estimates and judgements**

i. Property valuations

The valuation of the company's property portfolio is inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions (as set out in Note 10). Therefore, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of difficult market or economic conditions. As noted in Note 10 above, all the Company's properties are valued by external valuers with appropriate qualifications and experience.

ii. Trade debtors

Management uses details of the age of trade debtors and the status of any disputes together with external evidence of the credit status of the counterparty in making judgements concerning any need to impair the carrying values.