2019

Annual Report
Howard de Walden Estates
Holdings Limited

THE HOWARD de WALDEN ESTATE

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Chief Executive's foreword

The Howard de Walden Estate

Howard de Walden Estates Holdings Limited ('the Company') and its subsidiaries ('Howard de Walden', 'the Group') are the freehold owners of approximately 850 buildings in a 92 acre area of Marylebone.

The Group is beneficially owned by members of the Howard de Walden family ('the Family') and its estate has been under the Family's control since 1879. This longevity of ownership reflects the Family's wish to protect heritage, enhance its landholding, and build value over the long term. Howard de Walden aligns shareholder prosperity with the well-being of the community, the environment and its other key stakeholders.

Introduction

We are stewards of one of London's most desirable neighbourhoods in Marylebone.

We actively manage a diversified portfolio of real estate and continuously improve buildings and places for our customers, partners and the local community.

We create thriving medical, office, residential, educational, retail and leisure spaces.

Our purpose is to attract people to our estate to live, work, shop and do business.

Our 2019 Annual Report contains a review of the performance of the Group for the year ended 31 March 2019 ('this year') including the impact of our business on the environment, the community, our customers and our people.

Andrew J Hynard
Chief Executive

Estate overview

Who we are

Family owned

The origins of the Estate date back to 1715, when plans were drawn up for the development of Cavendish Square. Since 1879 the Estate has been under the beneficial ownership of the Howard de Walden family. Its association is fundamental to the Group's commitment to the area.

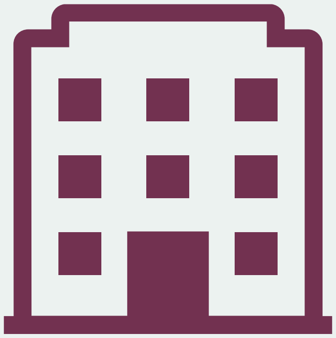
Original placemakers

The Group takes a long-term view, formed by the success of many years placemaking in Marylebone. Our experienced management team invests for long-term prosperity, enabling Marylebone's reputation to grow.

Long-term stewards

Our long-standing relationship with Marylebone means we have a good understanding of the area and its occupiers and residents. Our long-term strategy is to provide a balanced mix of property as diversification has enabled greater resilience allowing the Estate and the community to prosper.

What we do



Build the future

We strive to develop buildings for our customers, whilst being sympathetic to the existing architecture. We actively seek new ways to make our buildings better equipped for technology. We aim to bring the best technology-enabled buildings to the market. Investing in our buildings via redevelopment and refurbishment is key to preserving the long-term value of our portfolio.

Attract great customers

We offer both traditional and contemporary spaces to appeal to a diverse cross-section of customers. We encourage our customers to partner with us on a range of initiatives and events across all of our sectors to enhance the collective reputation of Marylebone. Our stewardship and commitment encourages customers to build long-term, trusted relationships with us.

Invest in community

We are proud to promote Marylebone as a wonderful place to live, work and visit. We invest time and resources into ensuring the visitor experience is a good one, in a welcoming environment. We provide financial support for public events such as the Marylebone Summer Festival and Marylebone Christmas Lights as well as the promotion of two of our key locations, the Harley Street Medical Area and Marylebone Village.

How we do it

Creativity

We are creative and thoughtful in finding solutions to the property requirements of our customers. Our innovation enables the highest level of modern day occupation within beautiful heritage buildings.

Professionalism

We take the time to deliver a personal service while delivering on our promises. Our open approach, actively engaging with occupiers, enables us to gather insights for making future improvements.

Relationships

We work to build lasting relationships with our customers, suppliers and stakeholders. In particular, we aim to put the customer at the heart of what we do.

Why we do it

Guardians

We are driven to sustain the vibrant character and community of Marylebone. We work to secure its desirability as a location that marries both past and present.

Environment

As responsible stewards, we are committed to making changes that are beneficial for the environment. Please see page 30 for examples of our achievements.

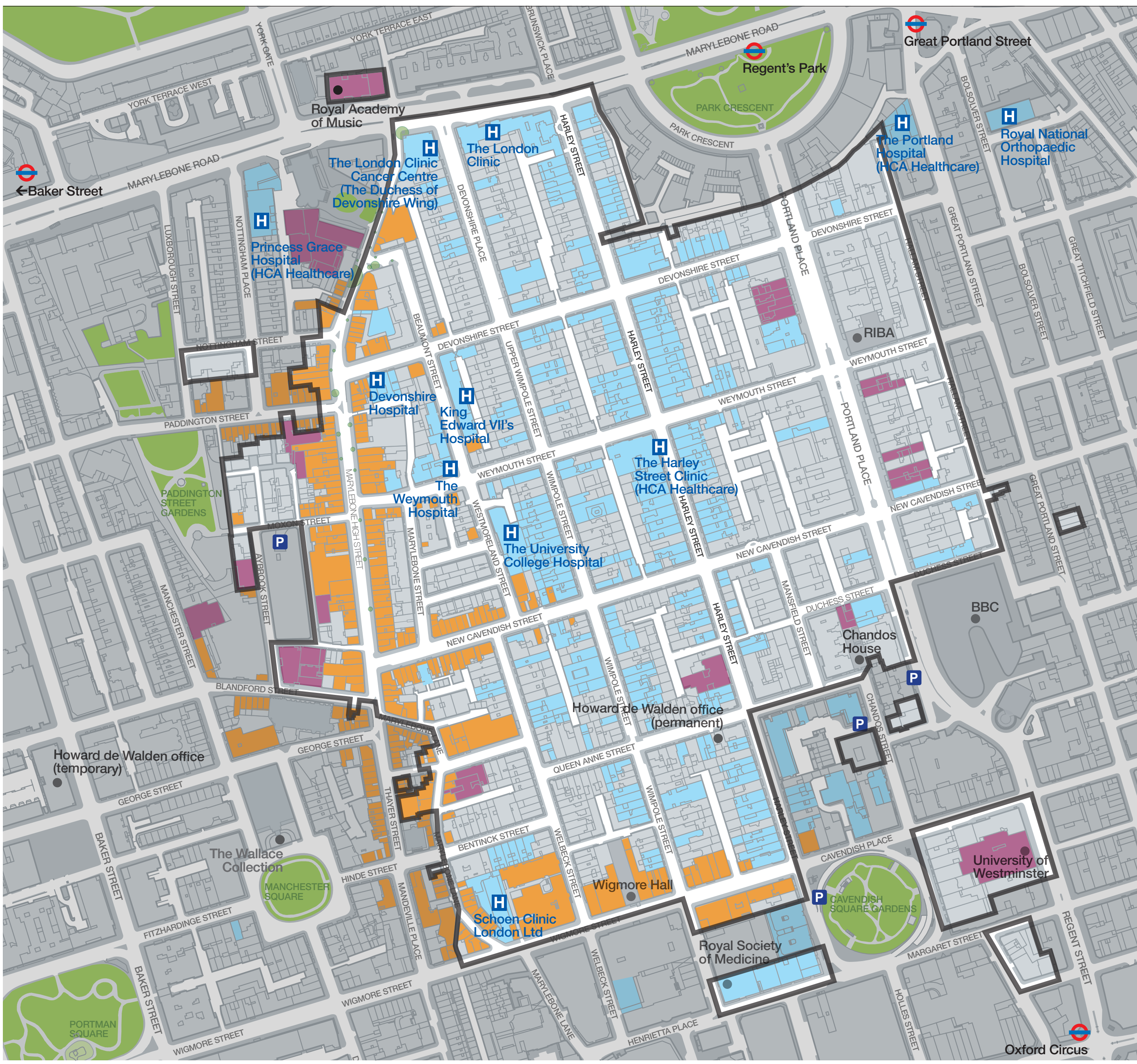
Facilitators

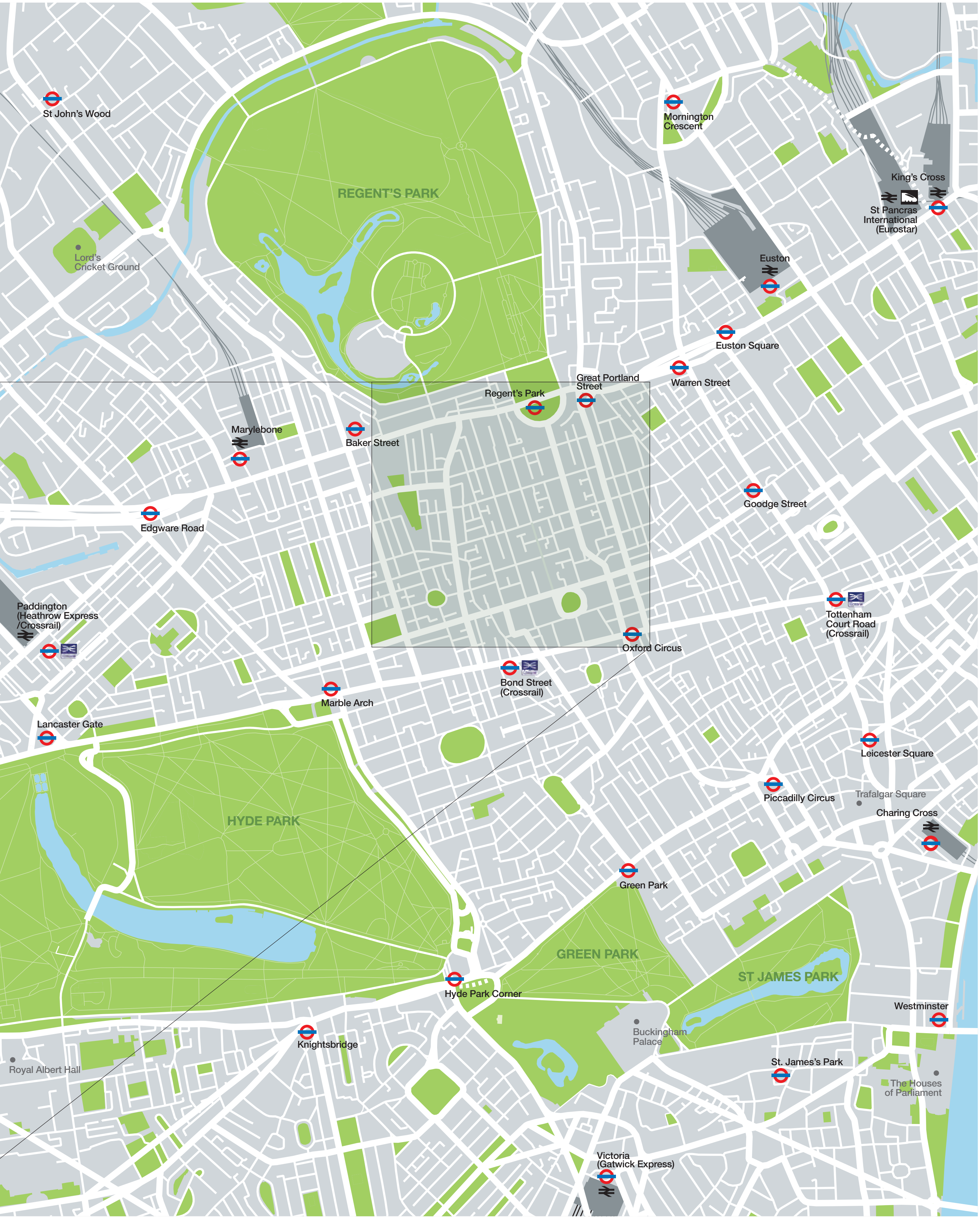
We are proud to promote and support the Harley Street Medical Area and Marylebone Village. We are committed to providing space and buildings for world-class medical occupiers, independent retailers and unique restaurants.

Where we are

- The Howard de Walden Estate boundary
- Retail & Leisure – Marylebone Village
- Medical – Harley Street Medical Area
- Educational

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




St John's Wood
REGENT'S PARK
Mornington Crescent
King's Cross
St Pancras International (Eurostar)
Lord's Cricket Ground
Euston
Euston Square
Great Portland Street
Warren Street
Regent's Park
Marylebone
Baker Street
Goodge Street
Edgware Road
Paddington (Heathrow Express /Crossrail)
Tottenham Court Road (Crossrail)
Oxford Circus
Bond Street (Crossrail)
Marble Arch
Lancaster Gate
Leicester Square
Piccadilly Circus
Trafalgar Square
Charing Cross
HYDE PARK
Green Park
GREEN PARK
ST JAMES PARK
Hyde Park Corner
Westminster
Knightsbridge
Buckingham Palace
Royal Albert Hall
St. James's Park
The Houses of Parliament
Victoria (Gatwick Express)

Chairman's statement

This year saw the twin challenges of continuing political uncertainty and a dampening of the London property market. I am therefore particularly pleased to report that, despite this more negative background, we have achieved excellent financial results once again. We have also strengthened our community activities and invested a record amount in the philanthropic activities of the Group.

Financial performance

With significantly less available space to let, the 6.6% growth in rental income was one of the lower percentages we have experienced in the past 20 years; however, by value, the £8.4 million increase is the fifth largest. This illustrates the rapid progression of our business, from rental income of £22.1 million in 1999 to this year's total of £135.9 million. Of course, in the first two decades of this millennium, London has prospered, affirming its status as one of the world's greatest cities. Not all of our success can be attributed to a fortunate location though. A significant factor has been the outstanding contribution from colleagues, shareholders, trustees and Non-Executive Directors.

While this was a quieter year for new lettings, it was busier than usual for many of our other activities. This included the acquisition of significant property interests. Most noteworthy was an increase in our interest in the head-lease at 145-149 Harley Street, the largest freehold building on the Estate. Our financial strength was again underlined by the completion of our largest ever financing: a £280 million private placement, of which £160 million has been drawn at the year end. We were also active in securing some important planning permissions, including consent to refurbish our own office building. While we have been very successful in providing pleasant spaces and attractive buildings, it is our customers and residents which make Marylebone a unique place. As a community, they have once again come together in large numbers at this year's Marylebone Summer Festival and Christmas Lights.

Governance

As a responsible business we continue to increase our focus on the impact of our activities on a wider group of stakeholders and are committed to applying the best environmental, social and governance ('ESG') standards for our industry. In 2018 we established an Environment and Community Committee, chaired by the Chief Executive and drawn from senior managers across our business. The Board has recently appointed Liz Peace CBE, a Non-Executive Director, to this Committee. Liz is a senior figure in UK real estate and acts as an adviser to the UK Government on property matters. We are fortunate to have such experience within our Board to draw upon and help shape our sustainability and philanthropic efforts.

We recognise that financial benchmarks are just one measure of success and we aim to further improve our non-financial performance, particularly on environmental and community matters. Our activities in the year are contained between pages 28 and 37 of this report.

Christopher Peacock

In February, we were greatly saddened by the death of Non-Executive Director Chris Peacock. Chris, who was appointed in 2006, was a trusted colleague and adviser who provided invaluable insight to our executive team and Board, particularly on investment matters, on which he excelled. During my previous role as Senior Family Trustee and latterly as Chairman, it was a personal privilege to have known Chris and to have worked with him.

Outlook

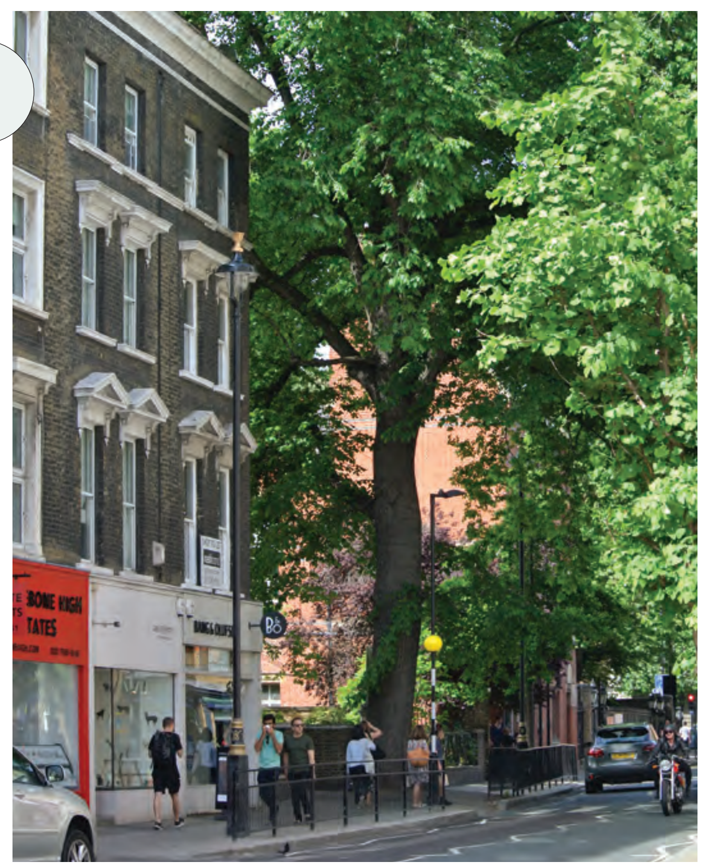
Last year, I indicated the influence of Brexit uncertainty on economic conditions and the wider property market. It seems extraordinary that, one year on, the position is no clearer and moreover, political stability has weakened. While we remain alert to the impact of macroeconomic influences on our business, we are confident that the active management of our balanced portfolio will continue to bring long-term benefits to shareholders and the wider community in which we invest.

Sir William Proby Bt CBE DL
Chairman

Paddington Street Gardens

The Marylebone Elm, a Huntingdon elm, has escaped the depredations of Dutch elm disease, making it the last elm tree standing in Westminster. It still thrives and produces flowers every year. There are no mature English elms in London and Huntingdon elms like this example are a rare find. Growing on the site of a former church, this tree is a survivor. The church was severely damaged by World War II air raids and had to be demolished in 1949, but the tree survived the bombing. It also survived the Dutch elm disease outbreak in the late 1960s and 1970s, which destroyed more than 20 million trees in the UK. The tree, which is estimated to be over 150 years old, is located at the northern end of Marylebone High Street.

Moxon Street



The Marylebone Elm

MARYLEBONE
DESIGN
DISTRICT


AN SHOP

Financial highlights

The Group reported its highest level of rental income.

£135.9m

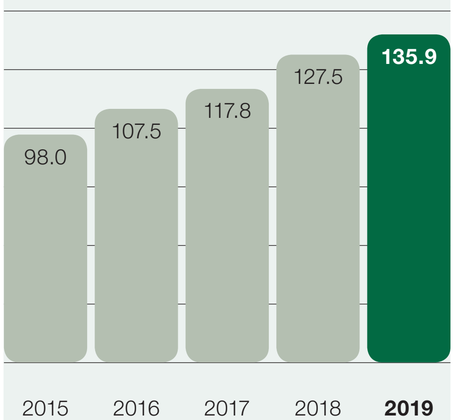
Record revenue profits were achieved.

£81.6m

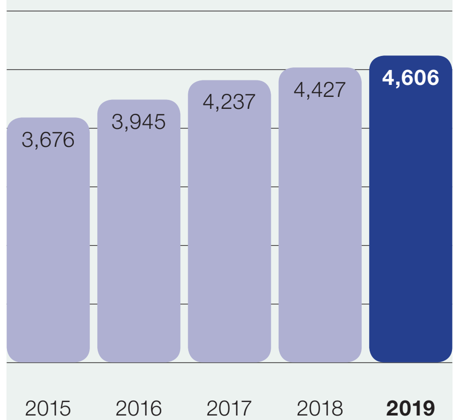
Significant financial contributions were made to charity and community causes.

£0.7m

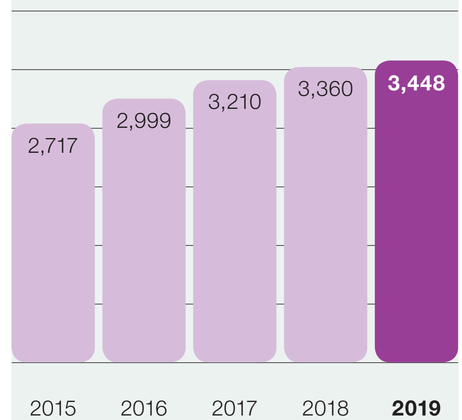
Rental income
£m



Investment property value
£m



Shareholders' funds
£m



Key performance indicators

	2019	2018	Change %
Rental income	**£135.9m**	£127.5m	↑6.6%
Revenue profit before tax*	**£81.6m**	£75.4m	↑8.2%
Donations	**£0.7m**	£0.6m	↑16.7%
Investment property value	**£4,606m**	£4,427m	↑4.0%
Shareholders' funds	**£3,448m**	£3,360m	↑2.6%
Gearing**	**14.9%**	11.3%	↑31.9%

*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. A gearing ratio of less than 20% is considered very strong.

Property performance

The Group continued to grow rental income, up 6.6%.

Medical rent roll has grown 52.7% since March 2015.

Our office sector is responsible for the largest increase in income this year, up £4.3 million.

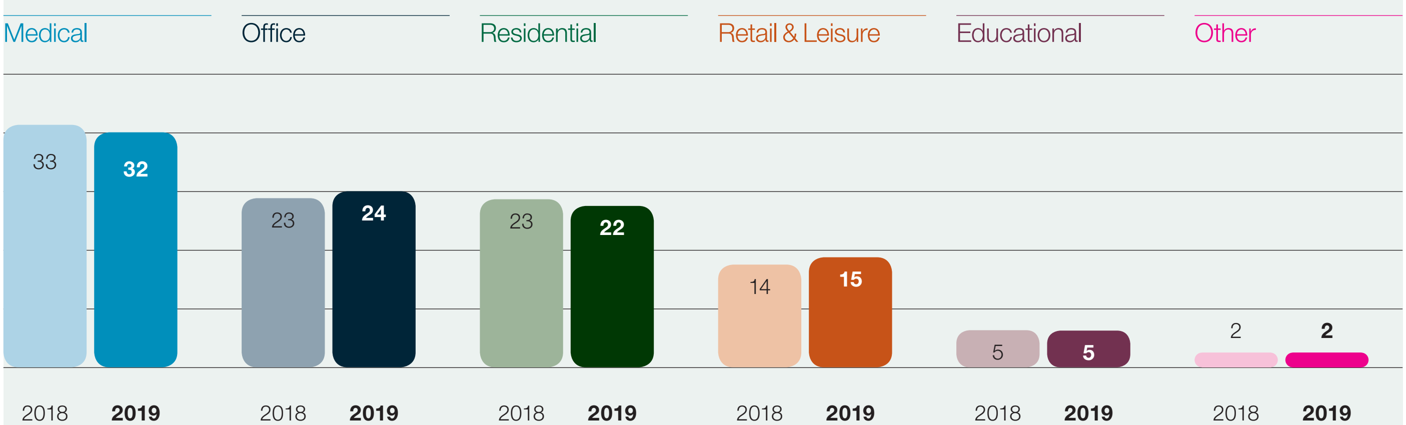
Despite challenging market conditions, residential income increased 2.4%.

Our retail & leisure portfolio was strong relative to the market.

The educational sector returned the largest rental income increase in percentage terms, up 18.6%.

Percentage of rental income by sector (%)

At 31 March



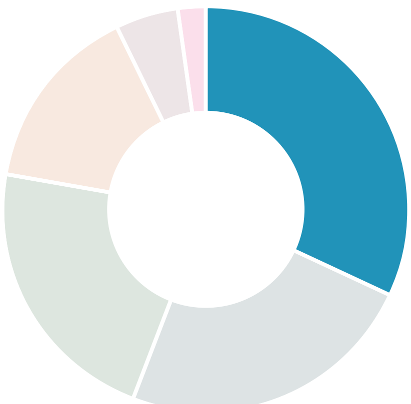
Rental income

	2019 £m	2018 £m	Change %
Medical	**43.0**	42.1	↑2.1%
Office	**33.1**	28.8	↑14.9%
Residential	**30.2**	29.5	↑2.4%
Retail & Leisure	**19.9**	18.3	↑8.7%
Educational	**7.0**	5.9	↑18.6%
Other	**2.7**	2.9	↓6.9%
	135.9	127.5	↑6.6%

Medical

32%

MEDICAL
Percentage of rental income



£1,405.1m

VALUATION
2018: £1,294.0m*

£43.0m

RENTAL INCOME
2018: £42.1m

↑2.1%

CHANGE IN RENTAL INCOME
2018: ↑16.0%

*Includes £25.6m reclassified from office, for comparative purposes.

With no significant developments completed, growth in medical income was muted, up £0.9 million to £43.0 million and restricted to new lettings after minor refurbishments or rent reviews. The largest increase was £0.3 million at 55 New Cavendish Street, a 3,800 square foot refurbishment let to a group of ophthalmic consultants. Notwithstanding this year's modest uplift, the medical sector has, in recent years, experienced rapid increases in income and value and is comfortably our largest sector by rental income and this year, for the first time, by value.

With limited growth in headline rent, it was important to make progress on lettings that provide future income and during the year we agreed terms to pre-let Macintosh House, at 50-54 Beaumont Street, to King Edward VII's hospital and secured a valuable pre-let at 24 Portland Place to the internationally respected Cleveland Clinic. This building was previously in office use and the refurbished configuration will provide 21,000 square feet of outpatient and diagnostic space and will open in 2020. Prior to the year end, we commenced the redevelopment of two significant medical buildings of approximately 15,000 square feet each, at 73-75 and 142-146 Harley Street.

A concentration of world-class healthcare attracts patients from the UK and overseas to our estate and it increases the appeal of the Harley Street Medical Area ('HSMA') as the location of choice for leading hospitals and clinics.

We actively promote the HSMA and bring partners together through forums and our attendance at the annual Arab Health Conference.

In January 2019 we increased our participation in the head-lease at 145-149 Harley Street from 15% to 50%, a property of which we own the freehold and currently receive a ground rent. This is the main building of The London Clinic and at 178,000 square feet, the largest single building on our estate. The acquisition of highly strategic property interests forms a key part of our investment strategy and with the opportunity to acquire a building of this scale so rare, we were keen to complete the purchase.

Despite the uncertain economic outlook, we see little let up in demand for medical buildings in and around Harley Street. Furthermore, there has been a spate of successful development of buildings on and outside the boundary of our estate, let to highly regarded hospitals and clinics. These include the Cleveland Clinic and Schoen Clinic, the transatlantic venture between the Mayo Clinic and Oxford University Hospitals at 15 Portland Place, The Royal Marsden's Private Patient Clinic at Cavendish Square and the US based Ambulatory Surgery International at 1 Welbeck Street. Whilst some of these ventures yield no rental benefit to the Group, they do provide affirmation of an unrivalled clustering of healthcare pivoted around Harley Street.

The London Clinic, 145-149 Harley Street

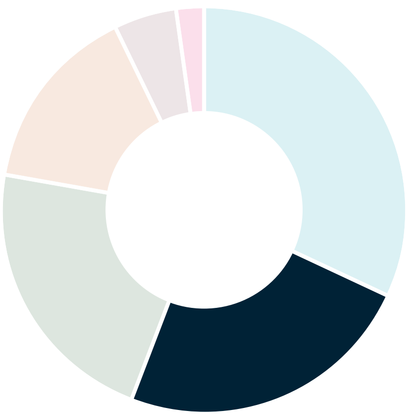
Computer generated image: Macintosh House, 50-54 Beaumont Street

The London Clinic, 145-149 Harley Street

Office

24%

OFFICE
Percentage of rental income



£964.6m

VALUATION
2018: £932.6m*

£33.1m

RENTAL INCOME
2018: £28.8m

↑14.9%

CHANGE IN RENTAL INCOME
2018: ↑7.9%

*Includes £25.6m reclassified to medical, for comparative purposes.

For several years we have been active with the acquisition, refurbishment and development of office buildings, largely because many of our existing office properties had been altered to medical use to meet the strong demand from healthcare operators. This had caused our office income, as a percentage of overall, to halve over 20 years to a low of 20% in 2015. This had weakened our sector diversity and recent actions to rebalance the income have been highly effective with office the sector responsible for the largest increase in income this year, up £4.3 million from £28.8 million to £33.1 million. Office properties contributed 24% of the Group's total income and are valued at close to £1 billion.

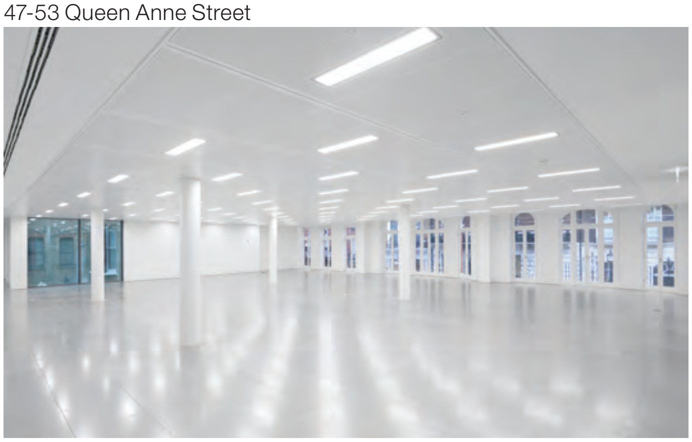
In May 2018 we completed the purchase of 2 Cavendish Square, adding 28,400 square feet of multi-let space and £1.5 million to rental income for the year. In January 2019, we purchased 9 head leases for £27.7 million, however, the initial yield on this portfolio is very low with most of the properties subject to nominal ground rents. The property term for this type of income is reversionary, due to the substantial uplift in rent payable to the owner when the ground rent reverts to a market rent at a future date.

Developments completed and let over the last 18 months were also a significant factor in the 14.9% increase in office income. These included the 17,100 square feet, multi-let office at 51 Welbeck Street and the 20,800 square feet lateral redevelopment at 47-53 Queen Anne Street, let to Inflexion, a private equity group.

Lease events combined with active management of our office portfolio create opportunities. A good example is 24 Portland Place, where the customer exercised the option to break its lease in 2017, resulting in the loss of rent, however, in turn this created a refurbishment opportunity leading to the pre-let to Cleveland Clinic.

The impact of technology and changes to the workplace is making the London office sector very dynamic. The conventional landlord approach to consider property as an asset is being replaced in part by the serviced office or co-working model. Howard de Walden's attribute is that it can offer a wide range of lease types, both long or short, fully inclusive rentals alongside the traditional fully repairing and insuring lease.

47-53 Queen Anne Street


47-53 Queen Anne Street

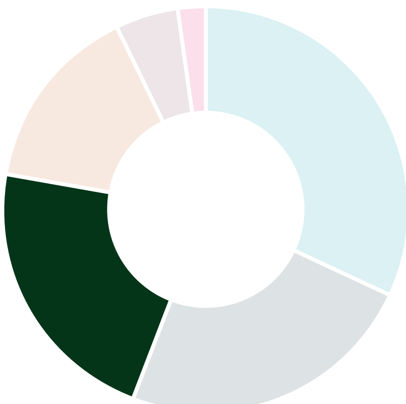

51 Welbeck Street


2 Cavendish Square

Residential

22%

RESIDENTIAL
Percentage of rental income



£1,361.1m

VALUATION
2018: £1,331.1m

£30.2m

RENTAL INCOME
2018: £29.5m

↑2.4%

CHANGE IN RENTAL INCOME
2018: 1.4%

Challenging market conditions over several years have restricted performance in our residential portfolio. This year's residential income totalled £30.2 million, an increase of £0.7 million on the previous year, making the sector our third largest by income and valued at £1,361 million, only slightly less than the medical sector. We continuously invest to maintain and improve the quality of our residential portfolio and these costs can vary from tens of thousands of pounds for minor repairs and decorations to millions of pounds for the major refurbishment of blocks of flats or a large house. Some of the largest projects completed in the year were: the refurbishment of 5 existing flats and a mansard extension creating an additional 2 units at 45-47 Devonshire Street; the conversion of mews houses to flats at 7 and 7a Browning Mews and 6-7 Wigmore Place; and the refurbishment and roof extension at 97-104 Marylebone High Street.

Residential buy to let investment has grown in popularity over the last 10 years, encouraged by low interest rates, increasing the availability and choice of property to rent in central London. To a certain extent, government actions to increase the taxation burden on second home ownership and regulation has taken the heat out of the market. The decline of net returns is discouraging further investment, reducing supply and there are signs that an equilibrium of market conditions is being re-established. The legacy of greater choice is the elevation of customer expectations on both the quality of property and the type of service that they expect to receive. Howard de Walden already provides 24 hour maintenance, a furnishing option service, meet and greet for customers and help with local services. There is, however, much more for us to improve upon to stay ahead of competition. For example, all of our new residential developments will now be supplied with fibre broadband. We have also increased security on the Estate with a Howard de Walden funded patrol service and held our first forum for residential customers. Greater customer engagement is crucial as it provides feedback for us to improve the services we provide.

There were no residential acquisitions this year, however, we did increase the number of dwellings marginally through our development programme. Property disposals, largely enfranchisement related, totalled £17.2 million.

7 and 7A Browning Mews

Flat H, 101 Marylebone High Street

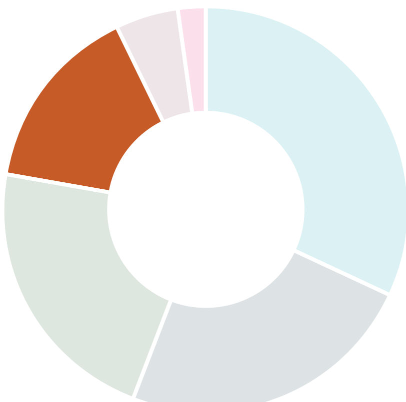
Flat G, 46 Devonshire Street

19 Bridford Mews

Lower ground floor flat, 47 Devonshire Street

Retail & Leisure

15%
RETAIL & LEISURE
Percentage of rental income



£652.6m
VALUATION
2018: £651.2m

£19.9m
RENTAL INCOME
2018: £18.3m

↑8.7%
CHANGE IN RENTAL INCOME
2018: ↑5.8%

Retail & leisure income totalled £19.9 million, an increase of £1.6 million, representing 14.6% of rental income and 14.2% by value. In a torrid year for retailers, characterised by high profile administrations and company voluntary arrangements, our portfolio performance was strong relative to the general market. However, it remains to be seen whether this can be sustained with many factors conspiring to make trading conditions for retailers and restaurateurs the most challenging in living memory.

We continue to increase our engagement with retailers through our retailer forum and the large number of events organised by Howard de Walden, including the Marylebone Summer Festival, the Marylebone Food Festival and the London Design Festival. These events showcase the area, particularly as they bring Marylebone's retail, resident and office communities together. This interaction is a significant point of difference that can help local retailers and restaurants weather the storm, however, an improvement in economic conditions and a reform of business rates is much overdue and necessary to avoid further closures of stores and restaurants.

Despite considerable headwinds we were delighted to welcome Koibird at 62 Marylebone Lane, an inventive retailer whose space evolves with the seasons. It is never a dull moment for customers and passing pedestrians at their colourful shop. British made luxurious knitwear can be found at John Smedley, 24 New Cavendish Street and against the grain we were pleased to see a new public house, The Jackalope, open on the site formerly occupied by The Dover Castle.


Koibird, 62 Marylebone Lane

Marylebone Lane

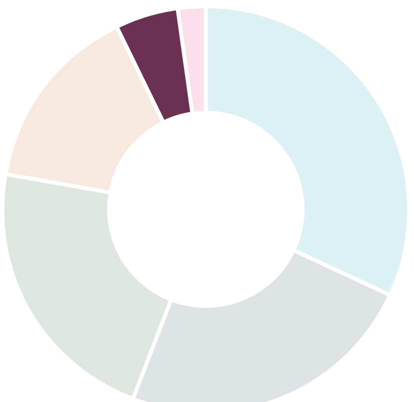

John Smedley, 24 New Cavendish Street

The Jackalope, 43 Weymouth Mews

Educational

5%

EDUCATIONAL
Percentage of rental income



£172.0m

VALUATION
2018: £167.6m

£7.0m

RENTAL INCOME
2018: £5.9m

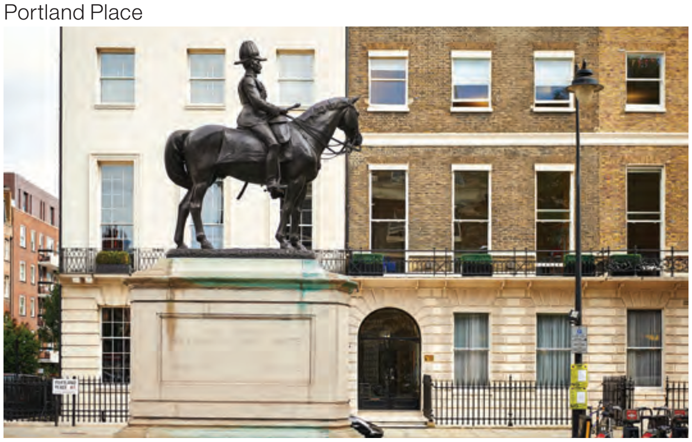
↑18.6%

CHANGE IN RENTAL INCOME
2018: ↑11.3%

Howard de Walden manages a varied educational portfolio encompassing nurseries, schools, universities and post-graduate learning. Properties in educational use contributed £7.0 million to rental turnover and are valued at £172.0 million. New lettings and increases from reviews at independent schools in Portland Place helped grow rental income by 18.6%.

We were delighted to agree terms with Christie's Education, a provider of postgraduate education in art, curating and connoisseurship. It is owned by the famous auction house, Christie's, and offers students fantastic interaction with their auctions and art world professionals. Educational is our smallest sector by income and value, however, it comprises some of the Group's most valuable single leases by rent roll value. Beyond the financial aspect, schools and seats of academic learning are a vital part of the Marylebone community and the Group seeks to build strong relationships with its local educational establishments by providing funding to schools and granting scholarships for university.


Portland Place


Portland Place School, 56-58 Portland Place


Queen's College Prep School, 61 Portland Place


Christie's Education, 42 Portland Place

Southbank International School, 63-65 Portland Place

Chief Executive's outlook

Overview

Howard de Walden recorded a strong increase in profit in challenging market conditions. Rental income increased by 6.6% to £135.9 million and revenue profits before tax advanced 8.2% to £81.6 million. Last year, I referred to the reduction in the pace of valuation growth and unsurprisingly this has continued with our investment properties increasing in value by 4.0% and only 0.6% on a like-for-like basis. Our key financial objective, however, is to grow income and the additional rent from the acquisition of 2 Cavendish Square helped to increase our office rent by £4.3 million. Educational is our smallest sector by income and value, but new lettings and increases from rent reviews produced a rental uplift of 18.6%. Performance in our retail & leisure sector belied the wider difficulties experienced across the industry, increasing by 8.7%, with contributions from the opening of new units in Marylebone Lane an important factor. After several years of robust growth from new lettings, medical recorded a modest rental increase of 2.1% and residential rents increased by 2.4%, aided by rental growth on renewed lettings. A summary of financial performance is provided on pages 24 and 25.

In March we were delighted to announce the agreement to lease 24 Portland Place for 20 years to Cleveland Clinic. This 21,000 square foot building, set over 6 floors, had been earmarked for our own occupation on a temporary basis whilst we redevelop our office at 23 Queen Anne Street. The opportunity to add one of the world's leading hospitals to our already impressive roster of medical operators was irresistible, even if it did necessitate a frantic search for an alternative building for our own use!

The financial strength of the Group was affirmed in January with the successful issue of £280 million private placement notes in maturities ranging from 15 to 30 years. These proceeds have been or will be used to acquire leasehold interests across the Estate and to finance maturing loan notes.

Outlook

Property plays a vital role in all our lives and is required for almost all commercial activity. It is therefore remarkable that our portfolio has been so resilient given the Brexit impasse. Adding the threat of trade wars and anaemic growth in the G7 economies to the menu of risks makes it difficult to have an optimistic outlook in the short-term. Fortunately, our Family shareholders encourage us to have a vision beyond the current horizon of uncertainty and support long-term objectives across our key markets. We are constantly looking to improve the quality of our portfolio, increase the resilience of our income and to invest when opportunities arise. Laying the foundation for future income growth was the driver for this year's acquisition of a portfolio with significant reversionary uplifts. Our strong financial position allowed us to act quickly to purchase these rarely available assets. Although the initial income is low and there is an increase in finance costs, it was important to acquire long-term control over the largest building on our estate, especially given the opportunity to benefit from its reversion to a market rent.

We have embarked on the redevelopment of our corporate office at 23 Queen Anne Street, having moved temporarily to 27 Baker Street, our home for the next 2 years. Whilst it feels unusual not being physically on our own estate, the open plan configuration and near proximity to Marylebone High Street and some of our largest redevelopments at 110 Marylebone High Street and 50-54 Beaumont Street (Macintosh House), is proving productive and convenient. Alongside our ongoing programme of refurbishment and redevelopment we are constantly looking at how we can improve the services we provide to our customers. Engagement is essential to stay better informed and to take decisions which make it more attractive to live, work and shop on our estate. The traditional model of property ownership is moving at pace from an asset focused approach towards property provided as part of a portfolio of services, with the customer having the choice to select their own individual requirements. This will require the Group to invest in technology and talent to successfully navigate our business through this dynamic landscape.

Approval

The Strategic report covering pages 2 to 43 was approved by the Board of Directors on 14 August 2019 and signed on its behalf by:

Andrew J Hynard
Chief Executive

View of Marylebone from the 7th floor, 27 Baker Street, temporary office of Howard de Walden

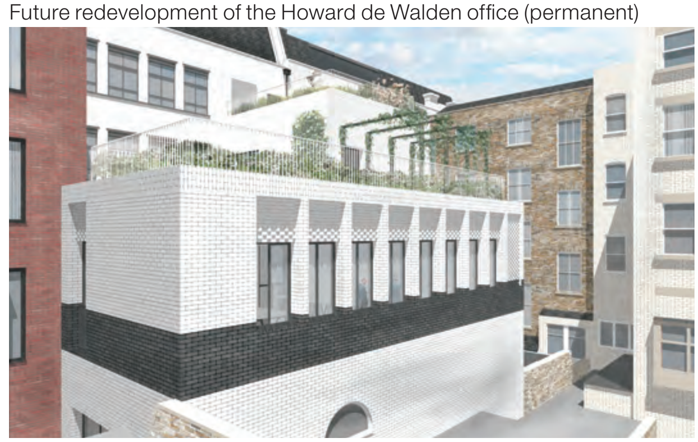
90 Harley Street

There have been many important doctors connected with Harley Street, but visit number 90 and you will see a reference to one of the world's most famous nurses.

On the site of the current building stood the Establishment for Gentlewomen During Temporary Illness, where in 1853 Florence Nightingale was appointed resident superintendent. In a short period of time, she introduced some significant practical reforms including a hot water supply to all floors and a winch to bring up hot food from the basement kitchen. She also had no qualms about firing staff—one nurse was dismissed by Nightingale for her "love of opium and intimidation". Then, a year later, in October 1854, she was asked by the War department to lead a party of nurses to Scutari in Turkey to treat wounded soldiers from the battlefields of Crimea. On her return she founded the world's first professional school of nursing at St Thomas' Hospital which still exists today.

Future redevelopment of the Howard de Walden office (permanent)

90 Harley Street



Future redevelopment of the Howard de Walden office (permanent)

Financial performance

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 £81.6 million, an increase of 8.2% on the record level achieved last year (2018: £75.4 million). Headline profit before tax was £160.9 million. This was 24.4% lower than last year (2018: £212.8 million), largely because of a smaller gain arising from the revaluation of investment properties. 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. Rental income increased by £8.4 million, from £127.5 million to £135.9 million including strong contributions from our office, retail & leisure and educational sectors. Our property and administrative costs only increased by £0.8 million, from £36.3 million to £37.1 million. The net result is an 8.4% increase in operating profit, from £92.1 million to £99.8 million. Net finance costs increased from £16.4 million to £18.0 million, due to the increase in borrowings in the last quarter of the financial year. The average amount borrowed was £484.9 million, an increase of £37.8 million from the previous year (2018: £447.1 million). The average rate paid on borrowings was 3.8%, an increase of 0.1% on last year (2018: 3.7%). Year end borrowings totalled £607.1 million*, increasing this year by £160 million after the successful completion of a further private placement. The loan totalled £280 million of which £60 million is to be drawn in November 2019. A final £60 million will be drawn down in September 2021 to finance maturing loan notes from a private placement undertaken in 2011. During the year, we took the opportunity to renew and extend the maturity of our £100 million revolving credit facility. While largely undrawn, the facility was due to mature in July 2020 and is now extended to December 2023. In addition, there are two annual options, this year and next, to extend the facility to December 2025. These extensions will be subject to credit approval from the bank lenders and the payment of a fee.

At 31 March 2019, the Group's average debt maturity was 14.4 years (2018: 10.1 years). The level of net borrowing to net assets, the gearing ratio, increased from 11.3% to 14.9%, however, this remains a very conservative level of borrowing. The Group's low level of borrowing is comfortably supported by interest cover of 5.5 times (2018: 5.6 times).

Dividend
The increase in income and profits permitted the payment of £34.6 million of ordinary dividends and £8.0 million of dividends on 'A' Shares, taking the total payments in the year to £42.6 million.

Valuation
At 31 March 2019, the Group's investment properties were valued at £4,606 million, an increase of 4.0% overall, and 0.6% on a like-for-like basis. The increase in value is largely driven by acquisitions, totalling £90.2 million, exceeding the growth from revaluation gains of £70.9 million. The two most valuable sectors are medical at £1,405 million and residential at £1,361 million.

Acquisitions and disposals
The Group acquires property to maintain sector diversity and to unlock long term value from either adjacent ownership or active management, utilising our specialist understanding of the Marylebone property market. During the year, we completed the purchase of £90.2 million of property assets. This included increasing our interest in the head-lease of The London Clinic's main hospital building at 145-149 Harley Street. Additionally, the Group has paid a deposit for the option to purchase the remaining interest, which if it completes, will trigger a further payment in January 2020. During the year we received £17.2 million from the disposal of residential property interests, largely from enfranchisement related sales.

Financial performance since 31 March 2015
The Group's rental income has increased by 38.7% from £98.0 million to £135.9 million. In the same period, revenue profit before tax has increased 59.7% from £51.1 million to £81.6 million. The value of the Group's investment properties has risen by 25.3%, from £3,676 million to £4,606 million, an increase of £930 million. In the same period, shareholders' funds increased by 26.9%, from £2,717 million to £3,448 million.

*At forward contracted rates (see page 71).

£81.6m
Revenue profit before tax increased 8.2% when compared to last year's total of £75.4 million.

25.3%↑
The increase in the value of investment properties since 31 March 2015.

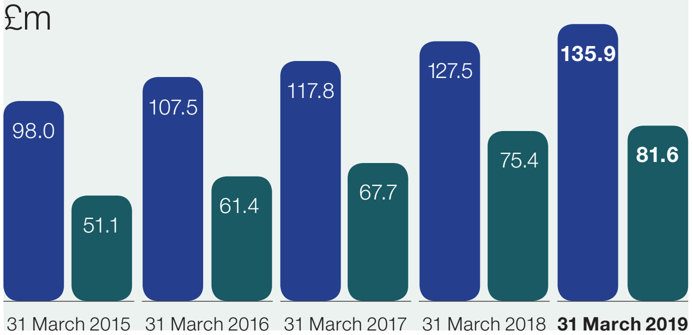
38.7%↑
The increase in rental income since 31 March 2015.

4.0%↑
Year on year increase in the value of investment properties.

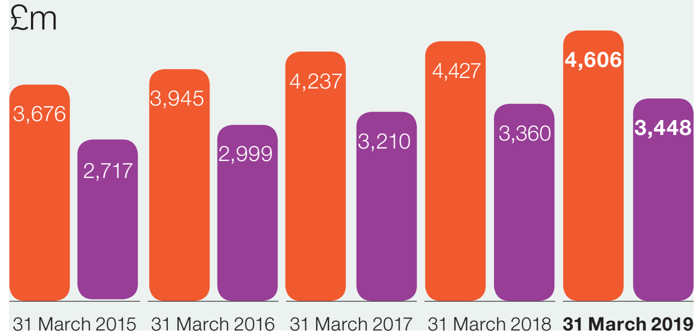
£3,448m
At 31 March 2019, the value of the Group's shareholders' funds.

£90.2m
The value of property acquired in the year.

Rental income
Revenue profit before tax
£m



Investment properties
Shareholders' funds
£m



Financial performance	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m	Change £m	Change %
Profit before taxation	**160.9**	212.8	(51.9)	↓24.4
Adjustments:				
Gain on revaluation of investment properties	**(70.9)**	(139.5)	68.6	↓49.2
Profit on disposals	**(3.6)**	(3.6)	–	–
(Gain)/loss on fair value of derivatives	**(21.5)**	32.5	(54.0)	↑166.2
Loss/(gain) on foreign exchange	**16.7**	(26.8)	43.5	↓162.3
Revenue profit before taxation	**81.6**	75.4	6.2	↑8.2

Valuation	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m	Increase/ (Decrease) £m	Change %
Medical	**1,405.1**	1,294.0	111.1	↑8.6
Residential	**1,361.1**	1,331.1	30.0	↑2.3
Office	**964.6**	932.6	32.0	↑3.4
Retail & Leisure	**652.6**	651.2	1.4	↑0.2
Educational	**172.0**	167.6	4.4	↑2.6
Other	**50.2**	50.7	(0.5)	↓1.0
	4,605.6	4,427.2	178.4	↑4.0


MARYLEBONE
SUMMER
FESTIVAL


GO-GATOR
CHARD
Coldhams Farm, Rickling,

Environment, community and governance
Overview

Overview
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 business.

Introduction
The Group aligns shareholder prosperity with the well-being of the community, the environment and other key stakeholders. For the Group to continue as a successful business, it is essential that the area remains an attractive place for people to live, work and visit. Fortunately, Marylebone attracts a diverse mix of people and occupiers, creating a rich community. While our landholding is relatively small, at 92 acres, it contains a world-leading medical destination, a desirable central London office location, a renowned retail and leisure district, a highly sought-after residential area and an acclaimed collection of educational facilities. Having successfully established two key ‘destinations’, in Marylebone Village and the Harley Street Medical Area, the Group plans and manages its estate to make sure it remains relevant and successful in a highly competitive market. The reputation of the Group is of paramount importance and it is expected that Directors and employees undertake their responsibilities with professionalism, integrity and openness. In line with these values, the Group formed an Environment and Community Committee (‘ECC’) in 2018 which sets out its approach to environmental, social and governance (‘ESG’) matters. The ECC meets every two months and is responsible for oversight of the Group’s environment and community priorities in the following areas:

Investment in community

Investment in people
Customers
Residents
Commercial occupiers
Local stakeholders
Our people
Visitors

Investment in place
Environment
Public realm
Infrastructure
Buildings

Our environment priorities:
— We look to maximise the longevity of our buildings and minimise obsolescence.
— We seek to improve the environmental performance of our buildings.
— Our projects increase biodiversity where possible.
— We work with suppliers that share our objective to safeguard the environment.
— Through measures to improve public spaces, we aim to connect green spaces and reduce air pollution.
— We look for ways to improve the health and well-being for occupants of our buildings.

Our community priorities:
1. Community and charity
— We aim to have a positive impact on the community and to act with integrity.
— We give our time, money and space to support events and activities benefitting our customers and residents.
— Financial support to charities and the local community is a key performance indicator and is linked to the Group’s financial performance.
— Where appropriate, we also provide non-financial support to local community-led organisations.

2. Our customers
— Our objective is to build strong and trusted relationships with all our customers.
— We help generate opportunities for our customers to network and promote their business credentials.
— We promote our customers through our programme of public and private events.
— We aim to deliver an excellent customer service.

3. Our people
— We are committed to our employees’ well-being, training and development.
— We encourage our employees to participate in community events and to volunteer with local charities.
— We encourage diversity and equality.

Marylebone Summer Festival


Paddington Street Gardens

Marylebone Design District


Marylebone Summer Film Night


Marylebone Christmas Lights

Energy performance certificates

The Group aims to achieve the highest environmental performance from its properties. Regulations brought in from April 2018, subsequently amended by Energy Efficiency (Private Rented Property) (Amendment) Regulations 2019, made it unlawful to grant or renew leases on residential or commercial properties with an Energy Performance Certificate ('EPC') rating lower than E. Existing residential leases need to comply prior to April 2020 and existing commercial leases prior to April 2023. The Group is underway with improvement works to ensure that all properties meet the legal requirements as a minimum and, where possible, exceed them. We are continuously looking to improve the energy performance of our buildings. Our target is that by 2025, more than half of our residential units are rated C or above, underlining our commitment to higher energy performance.

Energy consumption and carbon emissions

The Group has continued to work with Carbon Credentials (www.carboncredentials.com), a leading independent energy performance and carbon compliance consultant, to calculate the energy usage and greenhouse gas ('GHG') output from all of our directly managed properties (those with a landlord meter) and our own office building.

This year, across 192 (2018: 182) directly managed properties, we used 7,590 MWh (2018: 7,145 MWh) of energy, which translates to emissions of 1,883 tonnes (2018: 2,017 tonnes) of CO2 equivalent (tCO2e) from Scope 1 and Scope 2 as shown in the table below. The emissions total has decreased, despite the energy usage increasing, due to a significant year-on-year reduction in the electricity emissions factor (-19.5%) through the greening of the national grid. On a like-for-like basis, energy usage has decreased 9.9% from 7,145 MWh to 6,436 MWh, due to a combination of the introduction of energy efficiency schemes and a warmer winter.

The ECC is committed to reducing the Estate's carbon footprint and environmental impact and will continue to monitor these reports to evaluate options. Collecting the data in these initial years is crucial for the Group to understand its impact so it is able to establish initiatives and introduce changes to drive down energy consumption.

Biodiversity

We see commitment to 'green infrastructure' as a key component of our environmental aims. The Group is an active member of the Marylebone Low Emission Neighbourhood (LEN), a body focused on improving air quality in Marylebone, as well as a member of Wild West End, which aims to attract wildlife back to central London. On the page opposite is an infographic of all the achievements we have been part of as a stakeholder in the Marylebone LEN.

Wherever possible, we look to install green roof spaces as part of our refurbishment projects. We currently have 17 across the Estate, as well as three green walls, and we are committed to introducing two new green roof spaces as part of our own office refurbishment. Another successful scheme was the recent refurbishment of 34 Weymouth Mews, where we installed a green roof at second floor level with a mixture of plants to reflect a miniature version of a typical 18th century landscape garden.

Impact area	EPRA Sustainability Performance Measures	2019	2018
Energy	**Total Landlord MWh**[*1]	**7,590**	7,145
Greenhouse gas emissions[*2] – Direct	Scope 1 (natural gas combustion within boilers and generators)[*3]	**492**	545
Greenhouse gas emissions[*2] – Indirect	Scope 2 (purchased electricity consumption for our own use)[*3]	**1,391**	1,472
	Total Landlord tCO2e	**1,883**	2,017

[*1] 88% (2018: 86%) of the reported data has been sourced directly from suppliers. The remaining 12% (2018: 14%) has been estimated.
[*2] Quantified according to the Greenhouse Gas Protocol. Calculated using the UK Government 2019 Conversion Factors for Company Reporting.
[*3] GHG sources that constitute our operational boundary.


34 Weymouth Mews

Fitzpatrick Mausoleum in Paddington Street Gardens
Many local residents know and love the green spaces in the area – from the Royal Parks to London's garden squares. However, when walking through Paddington Street Gardens how many have stopped to look at this building and wonder why it's here? In fact, the gardens were originally Marylebone's burial ground and this is one of the few remaining clues as to its origins.

Richard Fitzpatrick built this mausoleum when his wife Anne died in 1759, aged just 30. The elegant mausoleum is built of smooth Portland stone and is surmounted by a funerary urn decorated with cherubs' heads

Closed in 1885, like many other London burial grounds, it was made into a recreation ground – often described as "open air living rooms for the poor". Although most of the tombs were removed at that time, the mausoleum has been retained because of its fine design.


Fitzpatrick Mausoleum, Paddington Street Gardens

Contractors

The Group is committed to ensuring that its refurbishment and redevelopment programme creates minimal disruption and looks 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. Our minimum is to achieve a score of 25 out of 50, which we would deem acceptable. The Group's aim is to achieve scores more than 35 across our projects, which we consider very good, and for scores of 40 or above, excellent.

Health and safety

Our Health and Safety Committee comprises employees and Directors with the primary responsibility to review health and safety management throughout the Group. The Health and Safety Committee meets quarterly to discuss issues of health, safety and welfare of the Group's employees and those affected by its undertakings and activities. Operational members of the Committee have attended an Institute of Occupational Safety and Health (IOSH) Working Safety course, which enables them to carry out quarterly workplace inspections. 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.

The Committee also reviews the effective management of health and safety across the Estate, with the objective of promoting the well-being and safety of its employees, customers, supply base and visitors. Property protection is also considered and reviewed, with recommendations made to the Board when required. During the year, there were three minor accidents involving members of staff. These minor accidents were fully investigated, and measures were put in place to prevent a reoccurrence. Each of our directly managed buildings is formally inspected once a year by a fire, water and general health and safety risk assessor. Ad hoc inspections following accidents or incidents are also undertaken through the health and safety manager. Findings by any of the inspectors are notified immediately, through the health and safety manager, to the maintenance manager and property managers, who instruct the relevant contractor to carry out remedial works. The majority of these works are actioned within 48 hours. 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, and recommendation reports are issued to the relevant manager of the project.

Customers

Our customers are intrinsic to the continued success of the Group. They are the source of our income and create vibrancy and support for the local economy. The Group seeks to build trusted and transparent relationships with its customers and considers them part of our stakeholder community. Having open communication channels is critical to achieving this and is likely to lead to longer and better relationships with our customers. To facilitate this, we have operated regular retailers' forums for many years and more recently, we have established a medical forum. This year a residential newsletter has also been introduced and circulated to all residential customers and we hope to add newsletters to all sectors in the future. We also provide a 24-hour maintenance service to residential customers and are more than halfway through our project to deliver ultrafast fibre broadband across the Estate.

The Group continues to invest in marketing and communications to promote our customers and the area. This includes funding the publication of two highly acclaimed periodicals, the Marylebone Journal, promoting retail, restaurants and lifestyle, and Prognosis, promoting medical care and support.

Since the year end, the Group has appointed a designated customer engagement manager to help build on our existing practices and look at new ways of engaging with our customers as well as wider collaboration across all sectors.

Due to continuing reductions in police presence on the street, the Group took the proactive step to employ security guards to patrol its area of Marylebone. This has proved to be an instant success with residents, retailers and occupiers indicating to us that they feel safer for the presence of the patrol.

Devonshire Close

Marylebone Lane

Ossington Buildings

141-143 Harley Street redevelopment

Events

The Group has had another busy year organising an active programme of events designed to promote the area and foster collaboration within the broad Marylebone community. These events continue to be very positive marketing and engagement exercises and uphold the Group's commitment to its overall stewardship of the area. Some events are predominantly consumer focused while others are business-to-business, providing useful networking opportunities for the Group's occupiers.

The main events organised and funded by the Group over the last year included: Marylebone Summer Festival, Marylebone Christmas Lights, Arab Health, Medical Forum, Retail Forum and a new Residential Forum. In October, the first UK Healthcare Conference organised and funded by the Group took place at the Royal Society of Medicine, bringing 10 speakers from around the world to debate the future of healthcare. The next healthcare conference is planned to be held in 2020. The Group also collaborated with The Portman Estate to jointly organise and fund the Marylebone Food Festival (April 2019) and the Marylebone Design District (part of London Design Festival).

The Group's employees are increasingly involved in sport, teambuilding and networking events which included the annual Company day out, LandAid 10k, CBRE Cycle Series, JLL Property Triathlon and the Greenhouse Sports Corporate Table Tennis League.

Engaging with local groups and stakeholders through our attendance at and contribution to local forums, meetings and events is an increasingly important part of the Group's community responsibility and included: Marylebone Association AGM, Marylebone Forum, Westminster-wide planning meetings, Remembrance Sunday, Christmas carol concerts and local school and university presentations including performance and award ceremonies.

Donations

The Group continues to provide financial assistance to a large number of worthy causes and tries to focus these, where possible, on local groups and charities that have a connection to Marylebone. The Group has provided match funding for its employees for many years and more recently has committed to match funding the amounts raised by its nominated charities at its two main events; the Marylebone Summer Festival and the Marylebone Christmas Lights.

In December, the Group joined the London Benchmarking Group (LBG) and post year end, in June 2019, it submitted its first year of charitable and local community support information to be included within the September 2019 LBG Report. This will mark the first step for the Group benchmarking its charitable and local community giving in relation to its peers.

The level of direct financial contributions to charitable and community causes is a key performance indicator of the Group. In the year ended 31 March 2019, the Group donated £663,000, an increase of £72,000 from last year's total of £591,000.

The Group has recently set out plans for a Key Worker Housing Pilot Scheme and has allocated eight residential units to be part of the pilot. The Group has invited four key medical occupiers to participate in this trial and to help allocate the properties to appropriate medical workers within their businesses. Over the course of the next year, we will assess the success of the scheme.

Fundraising

As well as directly donating to good causes, the events organised and promoted by the Group are a catalyst in fundraising for each event's nominated charity.
The following sums were raised in the year:

- Marylebone Summer Festival
  £38,400* for Children of St Mary's Intensive Care (COSMIC)
- Marylebone Christmas Lights
  £18,992* for Teenage Cancer Trust

*includes the Group's match funding.

The Group also continued its support as headline sponsor of the Marylebone Music Festival, which in turn raised funds for its nominated charity, West London Day Centre.

- Marylebone Music Festival
  £10,965

Marylebone Christmas Lights

Marylebone Summer Festival

Greenhouse Sports Corporate Table Tennis League

UK Healthcare Conference

Marylebone Summer Fayre

Employees

Our employees are fundamental to the success of our business model and the delivery of long-term growth in income and value. The Group's employee turnover rate decreased this year to 12% (2018: 17%) and excluding retirement was 11% (2018: 14%). Our ongoing success requires us to attract, engage, retain and grow our talent and we offer competitive salary packages, including pension provision and healthcare. We 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. The health and well-being of our people is critical if they are to perform well in their roles and we encourage our employees to take part in sporting events, particularly if there is the opportunity to raise money for charity. The Group is also keen for staff to engage in non-sporting events, leading to the establishment of The Howard de Walden Choir whose first performance was at the Marylebone Christmas Lights event.

The Group is a corporate member of Real Estate Balance, formed to correct the gender imbalance in senior positions in the property industry. The Group supports the development and training of all its employees. The Group calculated gender diversity based on average full-time equivalents throughout the year. Comparative information was calculated as at 31 March 2018. All employees were split by gender and categorised as one of Board, Executive, Manager or Workforce. Employees included within the categories of Board, Executive or Management are not included in the Workforce category but are included, alongside Workforce, in the overall composition of gender diversity. The results are shown in the adjacent table.

Employees volunteering

The Group recognises the importance of charitable giving, but time given by our people to good causes is arguably of even greater significance. Many employees volunteer for charitable organisations and the Group has decided to implement a proactive approach to staff volunteering, designed to encourage our people to offer their time and skills to local causes in a way that benefits the charities as well as having a positive impact on the personal and professional development of the volunteers.

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 will 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.

Gender diversity

Overall:

Female
56% (2018: 58%)

Male
44% (2018: 42%)

Split:

Board		
– Female	**36%**	(2018: 36%)
– Male	**64%**	(2018: 64%)
Executives		
– Female	**42%**	(2018: 40%)
– Male	**58%**	(2018: 60%)
Managers		
– Female	**42%**	(2018: 40%)
– Male	**58%**	(2018: 60%)
Workforce		
– Female	**60%**	(2018: 63%)
– Male	**40%**	(2018: 37%)

The Howard de Walden Choir, Marylebone Christmas Lights

Volunteering at St John's Hospice

JLL Property Triathlon

"I am now in my second year of lunchtime reading with a pupil at St Vincent's School. For 30 minutes a week I get the opportunity to step away from my desk and play a part in the wider community. It is something that I really look forward to and would go as far as to say I probably get as much (if not more) out of it as the pupil that I read with."
Annie Osborne
Business Analyst

Marylebone Summer Festival


MARYLEBONE
CHRISTMAS
LIGHTS
ESTIVAL


FERRI

Principal risks and uncertainties

Management of risk

The management of risk is essential in order for the Group to achieve long-term growth in rental income, profitability and value and to preserve its reputation and that of its shareholders. The Group is a long-term investor focused on high quality assets in Marylebone, central London and seeks an appropriate balance between minimising or avoiding risk and the opportunity to gain from investment.

Board
Overall responsibility for the management of risk

Audit Committee
Monitors and reviews risk controls

Executive Directors and Senior Management Team
Compile the risk register, identify, assess and control risk

Risk management structure

The Board has overall responsibility for risk management with the senior management team responsible for the identification, assessment and daily control of risk. The Board has delegated the monitoring and review of risk controls to the Audit Committee. Executive directors and senior management, representing all parts of the business, compile a risk register with identified risks assessed on their likelihood of occurrence and an estimate of their financial and reputational impact. The risk register is discussed and formally approved by senior management at meetings held throughout the year. An updated register is presented to the Audit Committee at a meeting convened to recommend and approve the Group's Financial Statements and Annual Report. This year's meeting took place on 6 August 2019 and considered the risk register, including the principal risks summarised on pages 41 to 43. The Group recognises that most risks cannot be eliminated, particularly at an acceptable cost, and inevitably there are some risks that the Group accepts to achieve its objectives as a long-term investor in property in its chosen location. The principal risks and uncertainties are those with the potential to have the most significant financial or reputational impact on the Group. There are other risks of which the impact is assessed to be moderate or minor. The principal risks, together with the mitigating action are set out on the following pages. All risks, including these key risks and the management actions taken are assessed in the risk register.

Strategic risks	The Group's objectives fail to create long-term growth in income and value
Risk An event or action which damages or reduces the attractiveness of central London.	*Control or mitigation* For historic and strategic reasons, the Group chooses to concentrate its property investment in Marylebone, in the West End of London. This location is considered high profile and at significant risk from acts which threaten public safety and security. As these events are outside the control of the Group, insurance cover is in place on a full reinstatement basis including 3 years' loss of rental income.
Geographical concentration of assets.	The location of the Group's assets, all within the area of Marylebone, is an accepted risk which the Group seeks to balance by having a highly diversified portfolio of uses that limits exposure to any dominant sector.
Inadequate returns from redevelopments and refurbishments.	Redevelopment expenditure is a significant part of the Group's investment activities, however, its annual value is small relative to the Group's financial strength and the value of its total property assets. The Group tries to avoid completing all its larger projects within the same time frame. It also seeks guidance from consultants on design, planning and construction. This helps achieve a high quality specification and allows the Group to either pre-let a building or maximise the marketing to a wide range of occupiers.
Increasing construction costs due to site constraints or difficulty in agreeing fixed price contracts.	The Group attempts to engage contractors on fixed price contracts for major refurbishment or redevelopment projects, allowing for a contingency within the appraisal. Should costs escalate to make a project unviable, the Group would not proceed beyond the evaluation stage. Reviews of completed redevelopments are undertaken to identify methods to improve the management of project expenditure.

Financial risks	Specific to the Group's capital structure or financing activities
Risk Restrictions in the availability of debt funding or an increase in its cost.	*Control or mitigation* The Group largely funds expenditure from cash generated by its operations with a limited amount of external borrowing. At 31 March 2019, net debt totalled 14.9% of shareholders' funds. Funding risks are minimised by refinancing debt repayments prior to their maturity and spreading future debt repayments. At 31 March 2019, the Group had £607.1 million* of long-term borrowings with the earliest repayment due in 2021 and the last in 2049. At the same date, the Group had £100 million of undrawn bank loans. These loans are available until December 2023 with two options to extend further until December 2025. *At forward contracted rates (see page 71).

Economic risks	Macroeconomic conditions that threaten the Group's ability to meet its strategic objectives
Risk	*Control or mitigation*
Significant economic decline resulting in reduced demand for commercial and residential real estate.	The Group's central London location has shown a greater resilience to economic downturn, when contrasted with the UK nationally. In addition, the Group seeks to maintain a diversified portfolio with its properties in medical, residential, office, retail & leisure and educational use, avoiding concentration risk from a decline in one dominant use category.
Decrease in affordability resulting in reduced rent collection.	The Group has more than 2,200 lease agreements and seeks to limit exposure to its largest customers by rental income. The Group reviews the creditworthiness of new customers and where appropriate will require a cash deposit or guarantor as security against default of the rent.
A decrease in London's economic activity due to political uncertainty e.g. Brexit negotiations.	There is little evidence that our customers are directly affected by political uncertainty. The risk of economic weakness emerging from an uncertain political climate will increase, however, as we move closer to the date of the UK's exit from the European Union (31 October 2019) without an agreement on trade. Property managers maintain close cordial relationships with customers and are instructed to bring to the attention of the Executive Committee evidence of customers wishing to terminate or giving notice to terminate a lease because of a Brexit related issue.

Operational risks	The Group suffers a loss or adverse consequences due to weak or inadequate processes
Risk	*Control or mitigation*
Health and Safety. Accidents causing loss of life or serious injury to employees, contractors or occupiers.	Health and safety procedures are in place and overseen by a Health and Safety Committee. Measures to improve existing health and safety procedures and compliance are presented to the Executive Committee and the Board for approval. The Group's Health and Safety Manager assists with the implementation of the Group's health and safety, subject to oversight by the Health and Safety Committee. The Group's health and safety strategy is formally reviewed once a year by the Health and Safety Committee.
Disruption of access to the Howard de Walden Estate office due to a threat to security or public safety.	The Group's IT infrastructure is hosted at a data centre with full access to software and systems available from any location with Wi-Fi access. The Group has tested and introduced devices that allow employees to continue to access business critical systems from remote locations. The Group has introduced mandatory training for cyber security and conducts regular tests to make sure policies are effective.

Regulatory risks	The Group is unable to execute its strategy due to planning or environmental regulations
Risk Changes to planning policy.	*Control or mitigation* The Group's properties are all located in the London borough of the City of Westminster and are affected by changes to local and national planning policy. The Group monitors and is actively involved in consultation where it considers it would be affected by emerging planning policy. Delays or restrictions in planning use may adversely affect the return from a development. Where planning consent is not achieved, however, the fall-back position is to maintain the property in its existing use.
Failure to deliver planning use swaps.	Occasionally the Group's redevelopment activities require an approved swap from one planning use to another e.g. office to residential. The Group co-ordinates its redevelopment programme to identify the availability and deliverability of suitable planning use swaps within its ownership. Occasionally, the Group will seek to work with adjacent land owners to deliver a planning use swap acceptable to the planning authority (City of Westminster).
Failure to comply with environmental legislation.	Compliance with environmental legislation, including minimum energy efficiency standards, is a key consideration prior to commencement of refurbishment or redevelopment works. The refurbishment and maintenance of older buildings on the Group's estate could become unviable should they fail to meet environmental requirements. The Group seeks to improve the environmental performance of its buildings as part of its programme of refurbishment and undertakes pre-assessment of the energy performance of buildings prior to the expiry of leases.

Family trustees and individual family shareholders
Own 100% of the Group's shares

Howard de Walden Estates Holdings Limited
Owns 100% of the shares of Howard de Walden Estates Limited

Howard de Walden Estates Limited
Owns, together with its subsidiaries, all the Group's assets

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 remainder of the shares.

Howard de Walden Estates Holdings Limited is the holding company of Howard de Walden Estates Limited which, together with its subsidiaries form 'the Group', which owns all the property assets. Howard de Walden Estates Holdings Limited has no equity 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 six 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 Chief Executive is responsible for developing the Group's strategy, implementation of the policies and strategies set by the Board and management of the business.

The Board met four times throughout the year with reports circulated seven to ten days in advance. There are also three sub-committees, covering Audit, Remuneration and Investment, which convene during the year between Board meetings.

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 the Deputy Chairman, Toby Shannon and Marc Gilbard, with the attendance of Executive Directors when required.

The Remuneration Committee currently comprises the Chairman, Deputy Chairman and Liz Peace, who make recommendations to the Board on the Executive Directors' remuneration, based upon independent external professional advice.

It is the nature of the property business that some matters are large and complex, therefore the Group operates an Investment Committee, which also 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 comprises the Chairman, the Deputy Chairman, Marc Gilbard, Christopher Peacock (until 3 February 2019), Toby Shannon 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 (from 1 May 2018), Fiona Barnes, Julian Best, James Fisher, Peter Griffith, Jenny Hancock (from 1 June 2018) and Tracey Hartley, met six times in the year.

Executive Committee


Andrew Hynard, Chief Executive


Simon Baynham, Property Director


Mark Kildea, Finance Director


Paul Bakker, Property & Asset Management Director


Fiona Barnes, Group Financial Controller


Julian Best, Property Investment & Strategy Director


James Fisher, Building Projects Director


Peter Griffith, Company Secretary


Jenny Hancock, Place & Community Director


Tracey Hartley, Residential Director

Directors' report

The Directors present their report and the financial statements for the year ended 31 March 2019.

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 £34,577,000 (2018: £32,931,000) to ordinary shareholders and £8,000,000 (2018: £nil) to 'A' shareholders.

The Board members who served during the year are listed below:

Name	Role	Executive / Non-Executive
Sir William Proby Bt CBE DL	Chairman	Non-Executive
Sir Christopher Howes KCVO CB	Deputy Chairman	Non-Executive
Andrew Hynard	Chief Executive	Executive
Simon Baynham	Property Director	Executive
Mark Kildea	Finance Director	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
Liz Peace CBE		Non-Executive
Christopher Peacock *(Resigned 3 February 2019)*		Non-Executive
Toby Shannon		Non-Executive

This report was approved by the Board of Directors on 14 August 2019 and signed on its behalf by:

Andrew J Hynard
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 2019 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 a summary of 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 2019 and of the Group's profit 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 where 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 46 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.

A further description of our responsibilities for the audit of the financial statements is located 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

14 August 2019

Officers and professional advisers

Secretary
P Griffith

Registered office
27 Baker Street
London
W1U 8EQ

Company registered number
06439246

Bankers
Lloyds Banking Group plc
25 Gresham Street
London
EC2V 7HN

Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

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
Sir Christopher Howes KCVO CB
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
Liz Peace CBE
Toby Shannon

Executive Directors
Andrew Hynard
Simon Baynham
Mark Kildea

Financial Statements

Group Statement of Comprehensive Income

for the year ended 31 March 2019

	Note	2019 £000	2018 £000
Turnover	5	**136,933**	128,362
Property outgoings and cost of sales		**(17,390)**	(17,661)
Gross profit		**119,543**	110,701
Administrative expenses		**(19,720)**	(18,598)
Operating profit	5	**99,823**	92,103
Gain on revaluation of investment properties	12	**70,909**	139,535
Profit on sale of investment properties		**3,579**	3,604
Interest receivable and similar income	6	**359**	231
Interest payable and similar charges	7	**(18,607)**	(17,001)
Fair value gain/(loss) on derivative financial instruments		**21,534**	(32,464)
(Loss)/gain on foreign currency exchange		**(16,725)**	26,753
Profit on ordinary activities before taxation		**160,872**	212,761
Tax on profit on ordinary activities	10	**(28,976)**	(31,591)
Profit for the year after taxation		**131,896**	181,170
Other comprehensive income			
Actuarial (loss)/gain	22	**(1,100)**	2,316
Deferred taxation arising on actuarial (loss)/gain	10	**209**	(440)
Other comprehensive income for the year		**(891)**	1,876
Total comprehensive income for the year		**131,005**	183,046

Group Statement of Financial Position

As at 31 March 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investment properties	12	**4,605,566**	4,427,197
Tangible fixed assets	13	**1,836**	879
		4,607,402	4,428,076
Current assets			
Derivative financial assets	24	**56,175**	34,470
Debtors	15	**42,869**	25,530
Cash and cash equivalents		**92,905**	67,951
		191,949	127,951
Creditors: amounts falling due within one year	16	**(55,570)**	(91,455)
Net current assets		**136,379**	36,496
Total assets less current liabilities		**4,743,781**	4,464,572
Creditors: amounts falling due after more than one year			
Bank loans, other borrowings and other creditors	17	**(644,274)**	(467,982)
Derivative financial liabilities	24	**(28,328)**	(28,151)
Net assets excluding provisions		**4,071,179**	3,968,439
Provisions			
Defined benefit pension liability	22	**(10,389)**	(9,627)
Deferred tax liability	10	**(612,350)**	(598,800)
Net assets		**3,448,440**	3,360,012
Capital and reserves			
Called up share capital	19	**2,667**	2,667
Merger reserve	20	**2,917**	2,917
Revaluation reserve	20	**3,022,389**	2,977,184
Other reserve	20	**149,453**	149,481
Profit and loss account	20	**271,014**	227,763
Shareholders' funds		**3,448,440**	3,360,012

The accounts were approved by the board of directors on 14 August 2019 and were signed on its behalf by:

Andrew J Hynard
Director

Mark Kildea
Director

Group Statement of Changes in Equity

for the year ended 31 March 2019

	Called up share capital £000	Merger reserve £000	Revaluation reserve £000	Other reserve £000	Profit & loss account £000	Shareholders' funds £000
At 1 April 2017	2,667	2,917	2,872,270	131,120	200,923	3,209,897
Profit for the year	–	–	–	–	181,170	181,170
Other comprehensive income	–	–	–	–	1,876	1,876
Total comprehensive income for the year	–	–	–	–	183,046	183,046
Transfer of:						
— investment property revaluation gains	–	–	139,535	–	(139,535)	–
— deferred taxation arising on investment properties	–	–	(17,754)	–	17,754	–
— realised profits	–	–	(16,867)	18,361	(1,494)	–
Equity dividends paid	–	–	–	–	(32,931)	(32,931)
At 31 March 2018	2,667	2,917	2,977,184	149,481	227,763	3,360,012
At 1 April 2018	**2,667**	**2,917**	**2,977,184**	**149,481**	**227,763**	**3,360,012**
Profit for the year	–	–	–	–	131,896	**131,896**
Other comprehensive income	–	–	–	–	(891)	**(891)**
Total comprehensive income for the year	–	–	–	–	131,005	**131,005**
Transfer of:						
— investment property revaluation gains	–	–	70,909	–	(70,909)	**–**
— deferred taxation arising on investment properties	–	–	(12,709)	–	12,709	**–**
— realised profits	–	–	(12,995)	(28)	13,023	**–**
Equity dividends paid	–	–	–	–	(42,577)	**(42,577)**
At 31 March 2019	**2,667**	**2,917**	**3,022,389**	**149,453**	**271,014**	**3,448,440**

Group Statement of Cash Flows
for the year ended 31 March 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Cash generated from operations	21		**84,132**		83,938
Corporation tax paid			**(15,150)**		(13,308)
Net cash inflow from operating activities			**68,982**		70,630
Investing activities					
Interest received and other fees		**254**		204	
Additions to investment properties		**(159,827)**		(56,569)	
Additions to tangible fixed assets		**(1,249)**		(240)	
Proceeds from sales of investment properties		**17,223**		22,753	
Proceeds from sales of tangible fixed assets		**219**		30	
Net cash outflow from investing activities			**(143,380)**		(33,822)
Financing activities					
Interest paid		**(18,071)**		(16,582)	
New long-term borrowings		**160,000**		–	
Revolving credit facility drawn down		**10,000**		–	
Revolving credit facility repaid		**(10,000)**		–	
Equity dividends paid		**(42,577)**		(32,931)	
Net cash inflow/(outflow) from financing activities			**99,352**		(49,513)
Increase/(decrease) in cash and cash equivalents			**24,954**		(12,705)
Cash and cash equivalents at 1 April			**67,951**		80,656
Cash and cash equivalents at 31 March			**92,905**		67,951

Company Statement of Financial Position
as at 31 March 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	14	**197,735**	181,220
Current assets			
Debtors	15	**–**	–
Cash and cash equivalents		**2**	9
		2	9
Creditors: amounts falling due within one year	16	**(354)**	(269)
Net current liabilities		**(352)**	(260)
Net assets		**197,383**	180,960
Capital and reserves			
Called up share capital	19	**2,667**	2,667
Other reserve	20	**48,926**	58,729
Profit and loss account	20	**145,790**	119,564
Shareholders' funds		**197,383**	180,960

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 £59,000,000 (2018: £52,094,000).

The accounts were approved by the board of directors on 14 August 2019 and were signed on its behalf by:

Andrew J Hynard
Director

Mark Kildea
Director

Company Statement of Changes in Equity

for the year ended 31 March 2019

	Called up share capital £000	Other reserve £000	Profit & loss account £000	Shareholders' funds £000
At 1 April 2017	2,667	58,729	100,401	161,797
Profit for the year	–	–	52,094	52,094
Total comprehensive income for the year	–	–	52,094	52,094
Equity dividends paid	–	–	(32,931)	(32,931)
At 31 March 2018	2,667	58,729	119,564	180,960
At 1 April 2018	**2,667**	**58,729**	**119,564**	**180,960**
Profit for the year	–	–	59,000	**59,000**
Total comprehensive income for the year	–	–	59,000	**59,000**
Transfer of realised profits	–	(9,803)	9,803	**–**
Equity dividends paid	–	–	(42,577)	**(42,577)**
At 31 March 2019	**2,667**	**48,926**	**145,790**	**197,383**

Notes to the accounts
for the year ended 31 March 2019

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 27 Baker Street, London, W1U 8EQ. 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 below. 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 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
After reviewing the Group's forecasts and projections, the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. The Group therefore 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 only 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's Property Director and the Property Investment & Strategy Director, 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 and are considered to be appropriate. Estimated future redevelopment or refurbishment costs are factored into the valuations. Information about the valuation techniques and inputs used in determining the fair value of the property portfolio is disclosed in note 12.

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.

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.

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.

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 historic 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 items of plant and fixtures 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.

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 2019 were £15,589,000 (2018: £15,702,000).

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.

4. Principal accounting policies (continued)

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.

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.

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.

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 become legally payable. Interim equity dividends are recognised when paid.

Related party transactions

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 operating profit

	2019 £000	2018 £000
All of the Group's turnover arises in the United Kingdom	**136,933**	128,362

Analysis by class of business:

Turnover:	2019 £000	2018 £000
Rental income	**135,885**	127,530
Lease premiums	**52**	11
Other income	**996**	821
	136,933	128,362

Operating profit:	2019 £000	2018 £000
Rental income	**98,775**	91,271
Lease premiums	**52**	11
Other income	**996**	821
	99,823	92,103

6. Interest receivable and similar income

	2019 £000	2018 £000
Bank interest receivable	**186**	123
Other interest receivable	**169**	106
Interest on corporation tax	**4**	2
	359	231

7. Interest payable and similar charges

	2019 £000	2018 £000
Bank loans and overdrafts	**4,687**	4,911
Unsecured loan notes	**13,310**	11,544
Amortisation of loan issue costs	**368**	202
Other interest payable	**–**	14
Interest on corporation tax	**–**	9
Net finance charge relating to pensions	**242**	321
	18,607	17,001

8. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:	**2019 £000**	2018 £000
Auditor's remuneration:		
Fees payable to the Group's auditor for the audit of the Company's accounts	**14**	14
Fees payable to the Group's auditor and its associates for other services:		
— Audit of the accounts of subsidiaries	**94**	90
— Taxation compliance services	**115**	112
— Taxation advisory services	**60**	37
— Other non-assurance services	**198**	203
— Audit of the Howard de Walden Estates Limited Retirement Benefits Scheme	**8**	8
Depreciation (note 13)	**267**	167
Operating leases (investment properties)	**167**	162
Operating leases (land and buildings)	**78**	–
Operating leases (other)	**37**	–

9. Directors and employees

	2019 £000	2018 £000
Including directors:		
Salaries	**10,870**	10,670
Social security	**1,368**	1,545
Pension costs	**1,697**	1,660
	13,935	13,875

The average weekly number of persons employed by the Group in the UK during the year was 140 (2018: 134).

The Group operates a defined benefit scheme (note 22) and a defined contribution scheme ('Group Personal Pension Plan') for the benefit of the employees and directors. The assets of the Group Personal Pension Plan are administered by an adviser.

Directors' emoluments

Remuneration in respect of Directors was as follows:	**2019 £000**	2018 £000
Aggregate emoluments	**2,940**	2,865
Pension contributions	**190**	183
	3,130	3,048

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 2019 of £951,000 (2018: £825,000) and a pension allowance of £79,000 (2018: £76,000).

At 31 March 2019 there was one (2018: one) director 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 (2018: nil). All directors are remunerated through a subsidiary company, Howard de Walden Estates Limited.

10. Taxation

(A) Taxation on profit on ordinary activities

The tax charge is made up as follows:

	2019 £000	2019 £000	2018 £000	2018 £000
Current tax:				
— UK Corporation tax		**14,678**		15,318
— Adjustments in respect of previous years		**539**		(488)
Total current tax charge for the year		**15,217**		14,830
Deferred tax:				
— Origination and reversal of timing differences	**965**		(1,078)	
— On transition adjustments on financial instruments	**85**		85	
— On revaluation of investment properties	**12,709**		17,754	
Total deferred tax charge for the year		**13,759**		16,761
Tax charge on profit on ordinary activities		**28,976**		31,591

(B) Taxation included in Other comprehensive income

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

	2019 £000	2018 £000
Total deferred tax (credit)/charge for the year:		
— Actuarial (loss)/gain on pension scheme	**(209)**	440

(C) Factors affecting tax charge for the year

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

	2019 £000	2018 £000
Profit on ordinary activities before tax	**160,872**	212,761
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**30,566**	40,425
Effects of:		
Change in tax rates	**(1,495)**	(2,085)
Indexation deductible for tax purposes	**269**	(5,260)
Capital allowances in excess of depreciation	**(992)**	(1,121)
Expenses not deductible for tax purposes	**98**	170
Adjustments to tax charge in respect of previous years	**539**	(488)
Other permanent differences	**(9)**	(50)
Total tax charge for the year	**28,976**	31,591

10. Taxation (continued)

(D) Deferred taxation

	2019 £000	2018 £000
Included in provision for liabilities and charges	**(612,350)**	(598,800)
The liability for deferred tax comprises the following:		
— Decelerated capital allowances	**405**	1,306
— Investment properties	**(615,193)**	(602,484)
— Pension costs	**1,974**	1,829
— Transition adjustments on financial instruments	**464**	549
	(612,350)	(598,800)

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

	2019 £000	**2019 £000**	2018 £000	2018 £000
At 1 April		**(598,800)**		(581,599)
Profit and loss	**(13,759)**		(16,761)	
Other comprehensive income	**209**		(440)	
		(13,550)		(17,201)
At 31 March		**(612,350)**		(598,800)

(E) Factors that may affect future tax charges

The UK corporation tax rate was 19% for the year ended 31 March 2019. The rate will remain at 19% until it reduces to 17% from April 2020. As at 31 March 2019, the above reduction has been substantively enacted and hence in accordance with Accounting Standards, the impact has been reflected in the Group’s financial statements as at the year end.

11. Dividends

	2019 £000	2018 £000
Ordinary shares		
£6.50 per share paid on 9 April 2018 (2018: £6.19 per share paid on 7 April 2017)	**17,289**	16,465
£3.25 per share paid on 2 October 2018 (2018: £3.09 per share paid on 3 October 2017)	**8,644**	8,233
£3.25 per share paid on 7 December 2018 (2018: £3.09 per share paid on 8 December 2017)	**8,644**	8,233
	34,577	32,931
'A' Shares		
£15.03 per share paid on 2 October 2018 (2018: nil paid in the year)	**8,000**	–
	42,577	32,931

After the year end, dividends of £18,152,000 on ordinary shares (2018: £17,289,000) were approved and paid on 4 April 2019. Those dividends are not included in these accounts.

12. Investment properties (Group)

	Freehold £000	Leasehold £000	Total £000
Valuation			
At 1 April 2018	4,393,908	33,289	4,427,197
Additions	120,160	949	121,109
Disposals	(12,783)	(861)	(13,644)
Impairment	–	(5)	(5)
Revaluation	72,053	(1,144)	70,909
At 31 March 2019	**4,573,338**	**32,228**	**4,605,566**
At 31 March 2018	4,393,908	33,289	4,427,197

The historical cost of investment properties for the Group at 31 March 2019 was £967,989,000 (2018: £847,529,000).

During the year, the Group exchanged contracts for the possible acquisition of property valued at £84,800,000. There is an option to assign the contract to a third party so the transaction has not been treated as an addition. The deposit of £14,800,000 has been recognised within other debtors. The balance of £70,000,000 is a contingent liability which, should the Group complete the transaction, be due within one year.

The valuation of investment properties at 31 March 2019 and 31 March 2018 was jointly overseen by the Group's Property Director and the Property Investment & Strategy Director, 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 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 as follows:

Property type	Key inputs	ERV Range £psf	Yield range %
Medical(1)	ERV psf, Capitalisation yields	£60.00-£85.00	3.85-4.40%
Residential(2)	Capital values	£750.00-£2,250.00	–
Office(1)	ERV psf, Capitalisation yields	£55.00-£85.00	3.85-4.40%
Retail(1)	ERV Zone A psf, Capitalisation yields	£140.00-£415.00	3.30-3.80%
Restaurant(1)	ERV Adjusted psf, Capitalisation yields	£70.00-£110.00	4.00%
Educational(1)	ERV psf, Capitalisation yields	£45.00-£75.00	4.25-4.50%
Other(1)	ERV psf, Capitalisation yields	£nil-£50.00	3.50-8.00%
General deferment yields	–	–	3.62-5.00%

(1) Valuation method income and capitalisation.
(2) Investment value.

Investment property rental income earned during the year was £135,885,000 (2018: £127,530,000) (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 2018	578	1,241	1,819
Additions	670	579	1,249
Disposals	–	(77)	(77)
At 31 March 2019	1,248	1,743	2,991
Depreciation			
At 1 April 2018	–	940	940
Charge for the year	26	241	267
Eliminated on disposal	–	(52)	(52)
At 31 March 2019	26	1,129	1,155
Net book value			
At 31 March 2019	**1,222**	**614**	**1,836**
At 31 March 2018	578	301	879

The Group's permanent office building and temporary office building in land and buildings are held at historic cost. The directors consider the fair value of our permanent office building to be £20,749,000 (2018: £25,776,000) 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 is approximately £3,184,000 (2018: £4,152,000).

14. Fixed asset investments (Company)

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At 1 April 2018	1,336	179,884	181,220
Net payments	–	16,515	16,515
At 31 March 2019	**1,336**	**196,399**	**197,735**

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 the other interests in the subsidiary companies. During the year, Howard de Walden Estates Limited disposed of its interest in Runneymede Limited and acquired an interest in a new wholly owned subsidiary, Howard de Walden Estates (TLC) Limited. 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%
18 Marylebone Mews Limited	Property investment	100%
Portland Industrial Dwelling Company 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 House Limited	Property management	N/A[*3]
Stone House Management Limited[*1]	Property management	100%
Howard de Walden Management Limited[*2]	Dormant	100%
HDWPM 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.

The registered office for each subsidiary is 27 Baker Street, London, W1U 8EQ.

15. Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Due within one year:				
Trade debtors	**8,972**	9,033	**–**	–
Other debtors	**15,248**	1,890	**–**	–
Prepayments and accrued income	**16,475**	13,193	**–**	–
Capitalised arrangement fees	**855**	236	**–**	–
	41,550	24,352	**–**	–
Due after more than one year:				
Other debtors	**1,319**	1,178	**–**	–
	42,869	25,530	**–**	–

16. Creditors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade creditors	**3,630**	4,014	**–**	–
Other creditors	**570**	552	**–**	–
Corporation tax	**8,143**	8,080	**329**	246
Other taxation and social security	**2,465**	879	**–**	–
Accruals and deferred income	**40,762**	77,924	**25**	23
Derivative financial instruments (note 24)	**–**	6	**–**	–
	55,570	91,455	**354**	269

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

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank loans and other borrowings (note 18)	**643,889**	467,572	**–**	–
Accruals and deferred income	**385**	410	**–**	–
	644,274	467,982	**–**	–

18. Analysis of borrowings (Group)

Unsecured loan notes (A):	2019 £000	2019 £000	2018 £000	2018 £000
Issued 25 August 2010				
$25m expiring 16 July 2022 – 4.99%	**19,169**		17,771	
$86m expiring 16 July 2025 – 5.23%	**65,898**		61,089	
£25m expiring 16 July 2030 – 5.61%	**24,929**		24,922	
		109,996		103,782
Issued 16 September 2011				
$52m expiring 16 September 2021 – 4.32%	**39,881**		36,973	
$64m expiring 18 September 2023 – 4.46%	**49,062**		45,484	
$73m expiring 16 September 2026 – 4.66%	**55,926**		51,844	
£30m expiring 16 September 2021 – 4.52%	**29,980**		29,972	
		174,849		164,273
Issued 9 October 2014				
£20m expiring 16 October 2024 – 3.43%	**19,984**		19,981	
£40m expiring 16 October 2029 – 3.58%	**39,940**		39,935	
£40m expiring 16 October 2034 – 3.79%	**39,912**		39,906	
		99,836		99,822
Issued 14 September 2016				
£40m expiring 14 September 2031 – 2.54%	**39,907**		39,900	
£60m expiring 14 September 2036 – 2.74%	**59,806**		59,795	
		99,713		99,695
Issued 9 January 2019				
£40m expiring 9 January 2034 – 3.01%	**39,918**		–	
£30m expiring 9 January 2039 – 3.11%	**29,918**		–	
£45m expiring 9 January 2044 – 3.20%	**44,845**		–	
£45m expiring 9 January 2049 – 3.29%	**44,814**		–	
£35m expiring 14 November 2034 – 3.11%*1	**–**		–	
£10m expiring 14 November 2039 – 3.21%*1	**–**		–	
£15m expiring 14 November 2044 – 3.30%*1	**–**		–	
£30m expiring 9 September 2042 – 3.61%*2	**–**		–	
£30m expiring 9 September 2048 – 3.57%*2	**–**		–	
		159,495		–
Total unsecured borrowings		**643,889**		467,572

*1 To be drawn 14 November 2019.
*2 To be drawn 9 September 2021.

Borrowings are repayable as follows:	2019 £000	2018 £000
Instalments due:		
Within one year	**–**	–
Two to five years	**138,092**	84,716
Greater than five years	**505,797**	382,856
	643,889	467,572

18. Analysis of borrowings (Group) (continued)

(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 issued £280 million of unsecured loan notes at 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 will be 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%.

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:	**2019 £000**	2018 £000
Drawn loan debt in a mixture of pounds sterling and US dollars at forward contracted rates	**607,100**	447,100
Foreign currency exchange adjustments on the US dollar debt	**38,102**	21,377
Capitalised arrangement fees	**(1,313)**	(905)
	643,889	467,572

(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 2019 the Group also had committed but undrawn credit facilities of £100,000,000 (2018: £100,000,000) under a revolving credit facility. On 21 December 2018, the Group entered into an amendment and restatement agreement to vary the terms of the existing revolving credit facility. The agreement extended the term to expire December 2023 (previously July 2020). In addition, there are two annual extension options in the first two years to extend the facility to December 2025, subject to credit approval and an extension fee. The margin payable is dependent on the level of utilisation with non-utilisation fees of 0.37% (0.46% up to December 2018). The minimum margin payable on this facility is 1.05% (1.15% up to December 2018) with the highest margin payable 1.40% (1.50% up to December 2018). Any unamortised arrangement fees under the old facility have been written off. Those capitalised under the restated agreement are amortised over the term of the facility and are included within prepayments at the year end.

19. Called up share capital (Group and Company)

	2019 £000	2018 £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

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 profit to net cash inflow from operating activities

	2019 £000	2018 £000
Profit for the year after taxation	**131,896**	181,170
Adjustments to reconcile profit for the year after taxation to cash generated from operations:		
Gain on revaluation of investment properties	**(70,909)**	(139,535)
Impairment of investment properties	**5**	–
Depreciation of tangible fixed assets	**267**	167
(Gain)/loss on disposal of tangible fixed assets	**(194)**	5
Profit on sale of investment properties	**(3,579)**	(3,604)
Difference between pension charge and cash contributions	**(580)**	(505)
Interest receivable and similar income	**(359)**	(231)
Interest payable and similar charges	**18,607**	17,001
Fair value (gain)/loss on derivative financial instruments	**(21,534)**	32,464
Loss/(gain) on foreign currency exchange	**16,725**	(26,753)
Increase in debtors	**(16,619)**	(10,010)
Increase in creditors	**1,430**	2,178
Tax on profit on ordinary activities	**28,976**	31,591
Cash generated from operations	**84,132**	83,938

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

	2019 £000	2018 £000
Cash at bank and in hand	**92,905**	67,951

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 2016 and updated to 31 March 2019 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown on the following page.

The Group currently pays contributions at the rate of 53.3% of pensionable earnings plus £850,000 per annum deficit reduction contributions.

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

	2019 £000	2018 £000
Fair value of plan assets	**34,936**	33,961
Present value of scheme liabilities	**(45,325)**	(43,588)
Defined benefit pension liability	**(10,389)**	(9,627)

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

	2019 £000	2018 £000
Fair value of scheme assets at start of year	**33,961**	41,719
Interest income	**872**	1,013
Actuarial gains/(losses)	**968**	(341)
Contributions by the Group	**1,302**	1,237
Benefits paid and expenses	**(2,167)**	(9,667)
Fair value of scheme assets at end of year	**34,936**	33,961

The actual return on the scheme assets over the year ending 31 March 2019 was a gain of £1,840,000 (2018: gain of £672,000).

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

	2019 £000	2018 £000
Scheme liabilities at start of year	**43,588**	53,846
Current service cost	**722**	732
Interest expense	**1,114**	1,334
Actuarial losses/(gains)	**2,068**	(2,657)
Benefits paid and expenses	**(2,167)**	(9,667)
Scheme liabilities at end of year	**45,325**	43,588

Total expense recognised in the Statement of Comprehensive Income

	2019 £000	2018 £000
Current service cost	**722**	732
Net interest cost	**242**	321
	964	1,053

22. Pensions (Group) (continued)

Total expense recognised in Other comprehensive income

	2019 £000	2018 £000
(Losses)/gains arising on:		
Return on plan assets – gain/(loss)	**968**	(341)
Experience (losses)/gains arising on the plan liabilities	**(20)**	1,857
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – (loss)/gain	**(2,048)**	800
	(1,100)	2,316

Assets

	2019 £000	2018 £000
Equity	**11,798**	11,440
Bonds	**15,647**	17,110
Index linked gilts	**1,881**	–
Property	**2,197**	2,084
Cash/other	**3,413**	3,327
Total assets	**34,936**	33,961

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

	2019 % per annum	2018 % per annum
Discount rate	**2.40**	2.60
Inflation (RPI)	**3.25**	3.15
Salary growth	**4.75**	4.65
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.25**	3.15
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.25**	3.15
Allowance for commutation of pension for cash at retirement	**No allowance**	No allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:	
Male retiring in 2019	27.1
Female retiring in 2019	29.0
Male retiring in 2039	28.6
Female retiring in 2039	30.5

Group Personal Pension Plan

The Group makes contributions to a Group Personal Pension Plan. Contributions for the financial year were £622,000 (2018: £549,000).

23. Financial instruments (Group)

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

Financial Assets	2019 £000	2018 £000
Measured at fair value through profit or loss:		
— Derivative financial assets (note 24)	**56,175**	34,470
Measured at undiscounted amount receivable:		
— Cash at bank and in hand	**92,905**	67,951
— Trade debtors (note 15)	**8,972**	9,033
— Other debtors (note 15)	**16,567**	3,068
— Accrued income (note 15)	**15,577**	12,525
	190,196	127,047
Financial Liabilities		
Measured at fair value through profit or loss:		
— Derivative financial liabilities (note 24)	**28,328**	28,157
Measured at amortised cost:		
— Long term loans (note 17 & 18)	**643,889**	467,572
Measured at undiscounted amount payable:		
— Trade creditors (note 16)	**3,630**	4,014
— Other creditors (note 16)	**570**	552
— Accruals (note 16 & 17)	**14,309**	52,706
	690,726	553,001

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

Interest income and (expense)	2019 £000	2018 £000
Total interest income for financial assets at amortised cost (note 6)	**355**	229
Total interest expense for financial liabilities at amortised cost (note 7)	**(18,365)**	(16,657)
	(18,010)	(16,428)

Fair value gains/(losses)		
On derivative financial assets measured at fair value through profit and loss	**21,705**	(39,416)
On derivative financial liabilities measured at fair value through profit and loss	**(171)**	6,952
	21,534	(32,464)

Foreign currency exchange (losses)/gains		
On retranslation of US dollar long term loans at amortised cost (note 18)	**(16,725)**	26,753

24. Derivative financial instruments (Group)

Due within one year:	**2019 £000**	2018 £000
Liabilities		
Interest rate swaps (note 16)	**–**	6
Due after one year:		
Assets		
Interest rate swaps	**1,656**	2,030
Cross currency interest rate swaps	**54,519**	32,440
	56,175	34,470
Liabilities		
Interest rate swaps	**28,328**	28,151

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:	**2019 £000**	2018 £000
Within one year	**156**	156
Between one and five years	**333**	428
More than five years	**3,620**	3,707
	4,109	4,291

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:	**2019 £000**	2018 £000
Within one year	**109,420**	103,945
Between one and five years	**288,450**	272,612
More than five years	**1,144,424**	1,167,502
	1,542,294	1,544,059

25. Lease commitments (continued)

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

Due:	**2019 £000**	2018 £000
Within one year	**360**	–
Between one and five years	**471**	–
More than five years	**–**	–
	831	–

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

Due:	**2019 £000**	2018 £000
Within one year	**44**	–
Between one and five years	**104**	–
More than five years	**–**	–
	148	–

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 received dividends on ordinary shares of £20,752,000 (2018: £19,857,000) and dividends on 'A' shares of £4,756,000 (2018: £nil), during the year.

During the year, £130,000 (2018: £201,000) was paid by the Group in respect of costs incurred by the Howard de Walden Estates Limited Retirement Benefits Scheme.

Key management personnel

Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Group. In the opinion of the board, the Group's key management personnel are the directors and information regarding their emoluments is set out below:

	2019 £000	2018 £000
Directors emoluments (note 9)	**3,130**	3,048
Directors' national insurance contributions	**412**	399
	3,542	3,447

Five year summary

Based on the financial statements for the years ended 31 March

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Group Statement of Comprehensive Income					
Rental income*	**135.9**	127.5	117.8	107.5	98.1
Revenue profit before tax**	**81.6**	75.4	67.7	61.4	51.1

Group Statement of Financial Position					
Investment properties	**4,605.6**	4,427.2	4,236.6	3,944.5	3,675.8
Shareholders' funds	**3,448.4**	3,360.0	3,209.9	2,999.3	2,716.5
Gearing	**14.9%**	11.3%	11.4%	10.6%	11.5%

*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
Operating 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 2018.

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.

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.

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 2019.

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.


Maximum Clearance 2.8 Metres
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THE
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ESTATE