

2018

Annual Report
Howard de Walden Estates
Holdings Limited

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The Estate in numbers

92

Acres of vibrant and mixed property in the heart of London.

850

Buildings.

139

Years of continuous ownership by The Howard de Walden family.

5

Sectors: medical, residential, office, retail & restaurant and educational.

2,200

Active lease agreements managed by The Howard de Walden Estate.

>2,500

Medical practitioners who currently work within the area.

1715

When Edward Harley, 2nd Earl of Oxford, began the development of Cavendish Square and surrounding streets.

Financial highlights for the year ended 31 March 2018

£127.5m

RENTAL INCOME
(2017: £117.8 MILLION)

+8.2%

£75.4m

REVENUE PROFIT BEFORE TAX*
(2017: £67.7 MILLION)

+11.4%

£0.6m

DONATIONS
(2017: £0.5M)

+20.0%

£4,427m

INVESTMENT PROPERTY VALUE
(2017: £4,237 MILLION)

+4.5%

£3,360m

SHAREHOLDERS' FUNDS
(2017: £3,210 MILLION)

+4.7%

11.3%

GEARING**
(2017: 11.4%)

-0.1%

*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. An increase in gearing decreases the Group's financial strength, with a decrease having the opposite effect.

Marylebone and The Howard de Walden Estate

Howard de Walden Estates Holdings Limited ('the Company') and its subsidiaries ('the Group') is the freehold owner of approximately 850 buildings in a 92 acre area of Marylebone, central London. The Group is beneficially owned by members of the Howard de Walden Family ('the Family') and its Estate has been under the Family's stewardship since 1879. This longevity of stewardship reflects the Family's wish to protect and enhance its landholding with the Group endeavouring to build value over the long term. The Group aligns shareholder prosperity with the well-being of the community, the environment and other key stakeholders.

As shown on the map opposite, the Group owns, manages and leases the majority of properties across an area extending from Marylebone Road in the north to Wigmore Street in the south, and from Hallam Street in the east to Marylebone High Street in the west.

 The Howard de Walden Estate boundary 2018



Medical (p12)

1. 66 Wigmore Street
2. 41 Harley Street
3. 61 Harley Street



Residential (p14)

4. 66-72 New Cavendish Street
5. 58-72 Marylebone Lane
6. 17 Wimpole Street
7. Melcombe Regis Court



Office (p16)

8. 47-53 Queen Anne Street
9. 2 Cavendish Square



Retail & restaurant (p18)

10. Slowear, 25 Marylebone High Street
11. Dinny Hall, 66 Marylebone Lane
12. Delamina, 56-58 Marylebone Lane



Educational (p20)

13. St Vincent's Catholic Primary School
14. The St Marylebone CE School
15. Royal Academy of Music



15. ● Royal Academy of Music

Great Portland Street

Regent's Park

← Baker Street

14.

Royal Institute of British Architects

MARYLEBONE ROAD

DEVONSHIRE PLACE

MARYLEBONE ROAD

DEVONSHIRE STREET

MARYLEBONE ROAD

PADDINGTON STREET GARDENS

WEYMOUTH STREET

WEYMOUTH STREET

MARYLEBONE HIGH STREET

WIMPOLE STREET

PORTLAND PLACE

P

DEVONSHIRE STREET

UPPER WIMPOLE STREET

HARLEY STREET

HALLAM STREET

WEYMOUTH STREET

WIMPOLE STREET

NEW CAVENDISH STREET

13.

NEW CAVENDISH STREET

BBC

Chandos House

WILBECK STREET

QUEEN ANNE STREET

P

13.

QUEEN ANNE STREET

THE HOWARD DE WALDEN ESTATE OFFICE

P

The Wallace Collection

MANCHESTER SQUARE

QUEEN ANNE STREET

THE HOWARD DE WALDEN ESTATE OFFICE

P

11.

12.

5.

1.

Chandos House

P

THE HOWARD DE WALDEN ESTATE OFFICE

P

The Wallace Collection

MANCHESTER SQUARE

QUEEN ANNE STREET

THE HOWARD DE WALDEN ESTATE OFFICE

P

11.

12.

5.

1.

Chandos House

P

THE HOWARD DE WALDEN ESTATE OFFICE

P

Wigmore Hall

CAVENDISH SQUARE GARDENS

University of Westminster

WIGMORE STREET

WIGMORE STREET

WIGMORE STREET

CAVENDISH PLACE

CAVENDISH SQUARE GARDENS

University of Westminster

RECENT STREET

PORTMAN SQUARE

The Royal Society of Medicine

OXFORD STREET

Oxford Circus

Selfridges

Bond Street

HANOVER SQUARE

← Marble Arch

Who we are



Family owned

An enduring commitment

The origins of the Estate date back to 1715 with the development of Cavendish Square. Since 1879 the Estate has been under the beneficial ownership of the Howard de Walden family. Its association, of almost 140 years, is fundamental to the Group's commitment to the area.



Original placemakers

Enhancing Marylebone

The Group's family shareholders take a long-term view, formed by the success of 300 years of placemaking in Marylebone. They encourage our experienced management team to invest for long-term prosperity.

A co-ordinated estate management strategy enables Marylebone's reputation to grow.

Our aim is for Marylebone to be known as a place where great things happen.



Long-term stewards

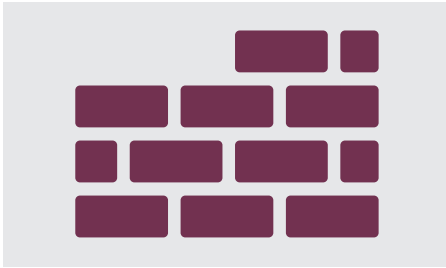
Responsible estate management

Our long-standing relationship with Marylebone means we have a good understanding of the area and its occupiers and residents.

One of the defining characteristics of our long-term investment is the desire to balance the mix of property uses.

This strategy provides greater resilience and has allowed the Estate and the community to prosper.

What we do



Build the future

We respect heritage and look to balance this with appropriate opportunities to make the area thrive.



Attract great customers

We attract the very best people and businesses. This challenges us to make the experience of partnering with us a great one.



Invest in Community

We seek to engage with stakeholders – those with whom we have a direct relationship and those we do not. This is part of being a good neighbour.

Sector diversity and buildings

Developing buildings for our customers while being sympathetic to the architecture in Marylebone is a key objective. We strive to deliver accommodation that will enhance the area as a whole.

By understanding our customers' requirements, we can provide a tailored approach to meet their needs. In offering both traditional and contemporary spaces, we appeal to a broader, more diverse cross-section of customers.

Our community is enriched and better served because of the considered management of the Estate. We are proud to promote Marylebone as a wonderful place to live, work and visit.

Community and Responsibility

We actively seek new ways to make our buildings better equipped for the technologies of the future. The Estate is the first concentrated area of central London to benefit from ultrafast fibre broadband. We look to bring the best technology-enabled buildings to the market.

We encourage our customers to partner with us in a range of initiatives and events. Examples include the advancement of the reputation of the Harley Street Medical Area, collaborating with our neighbours in the creation of the Marylebone Food Festival and our support for the Marylebone Interiors Day.

In recent years we have invested in Wi-Fi coverage of Marylebone High Street, enhancing the visitor experience. Additionally, we work very closely with the Metropolitan Police to make Marylebone a safe, welcoming environment. Where appropriate, we use technology to improve overall safety.

Financial strength

Investing in the Estate through ongoing redevelopment and refurbishment is key to avoiding obsolescence and preserving the long term value of our portfolio.

A substantial prime central London estate encourages customers to form long-term trusted relationships with us.

We provide financial support to an array of initiatives – from public events such as the Marylebone Summer Fayre and Marylebone Christmas Lights, through to our promotion of the Harley Street Medical Area. We link financial performance to support for local associations, charities and other organisations.

Chairman's statement



First impressions

This is my first Chairman's statement after taking over from Peter Barton, who steered the Group to such success over very many years. I am delighted to report a year of strong performance with a record level of revenue profits, one of our key measures of success. Equally important, we have continued to build on our work to support the Marylebone community and local charitable organisations.

In my former role as Senior Family Trustee, I had the opportunity to learn much about the Group and to get to know the shareholders, directors and other stakeholders, and I am now enjoying working closely with our management team and getting to know our customers. I have taken time to explore our estate, to meet some of our customers and importantly to get to know the talented people that we have in our business. Our success over many years is largely due to our unique central London location, the productive enterprises and gifted people we attract and our ability to deliver a quality service. This has only been possible by the enlightened attitude of our shareholders who have been prepared to take a very long-term view of their investment. The Group is in robust financial health because of its modest use of borrowing and because it has set objectives for a

I am delighted to report a year of strong financial performance with a record level of revenue profits, one of our key measures of success.

horizon exceeding the peaks and troughs of the normal property cycle.

Financial results

Turning to our financial results for the year, in common with other central London property businesses, the Group experienced only modest growth in the value of its properties. However, the growth in the value of our rental income and our revenue profits was very strong and means that yet again we are at record levels.

We continue to build our support for community and charitable organisations and our financial commitment for the year was £0.6 million. In addition to donations, we contribute to the community and charities in other ways and I encourage you to read more about our community and charity impact set out on pages 28 to 37 of our report.

Our office

Whilst we continue our programme of refurbishment and redevelopment of buildings across the Estate, our office at 23 Queen Anne Street is now looking very tired when set against modern requirements. With a cellular layout yielding little collaborative space, it makes interaction between departments difficult and permeating wireless technology is also challenging. We recently obtained planning permission from Westminster City

Council to refurbish our office with works expected to begin in early 2019. This will result in a temporary move to a location yet to be identified.

Governance

Good governance is central to the success of any business; set out on page 44 is how we operate effective control on behalf of the Group, the shareholders and other stakeholders. It is the role of Chairman to make sure the board and its committees are effective and that decisions are made at the appropriate level within our organisation. Consequently we have set up a new Remuneration Committee with formal terms of reference. This is in accordance with good practice across all major companies.

Board changes

Peter Barton retired as Chairman during the year and I would like to personally thank him for the encouragement and support provided to me and also to thank him on behalf of the board for his distinguished service to the Group and shareholders. His long and remarkable career is quite exceptional and Peter remains loved and missed by everyone who worked with him.

On 6 December 2017, the Right Honourable Lord Kakkar ('Ajay') joined the board as a Non-Executive director. Ajay is a Professor of Surgery with an interest in thrombosis, a member of the House of Lords and Chairman of the Judicial Appointments Commission. He comes with invaluable experience of the medical sector and is already helping us shape our thoughts and vision for this vital sector in the years ahead.

Dividend

With good growth in income and profitability, the board assessed that the Group was able to pay dividends of £32.9 million in the financial year ended 31 March 2018, representing an increase of 9.7% on dividends paid (£30.0 million) in the previous financial year.



Outlook

There is general consensus that we have passed the peak of the upswing in the current commercial property cycle, however, there is no doubt that the value of London's prime residential property is in downturn. We continue to focus on building our rental income, both commercial and residential, rather than capital value. This is because rental values are linked to economic activity, whereas capital values are influenced by extraneous factors such as changes in interest rates, exchange rates, property taxes and regulation. More importantly, as long-term investors we do not need to try and guess the best time to buy and sell in the property cycle.

We will continue investing to maintain and enhance our properties, particularly in response to the requirements of our customers, and we take heed of the increasing influence of technology as it improves and disrupts the conventional model of real estate ownership. We will also look to acquire property interests in our estate where adjacent ownership allows us to unlock long-term income.

Looking forward, the major issue influencing economic activity is the uncertainty emanating from the Brexit negotiations. Clearly, there are risks in both directions, depending on an outcome that is impossible for anyone to predict at this stage. However, investment and

equity markets have been resilient considering the slow progress made. London is a world-leading city and I am optimistic that it will continue to be so after Brexit is concluded. We look forward to playing our part in that future.

Sir William Proby Bt CBE DL
Chairman

17 June

Marylebone Summer Film Night

18 June

Marylebone Summer Fayre





£27,574

Total raised for Children of St Mary's Intensive Care ('COSMIC') from the events organised and funded by The Howard de Walden Estate.

Chief Executive's statement



The Howard de Walden Estate aims to be a good neighbour and aspires to be part of the success of its residents and commercial occupiers.

I am constantly amazed at the activity occurring daily in every corner of our estate, from world class healthcare delivered in Britain's finest hospitals and clinics, to unique products offered at our independent shops and wonderful community events. The Howard de Walden Estate strives to be a good neighbour and aspires to be part of the success of its residents and commercial occupiers. Through our heritage as a long term land owner we aim to make a positive contribution to our community which is uniquely placed, right at the centre of the nation's capital city. Our Annual Report captures some of the remarkable activity which took place across our estate.

Overview

In a challenging year marked by a general slowdown in London's property performance, the Group recorded an 8.2% increase in rental income which grew by £9.7 million, from £117.8 million to £127.5 million. Our key financial objective is to grow income, as the yield from property is the best way to preserve its long-term value. Moreover, values fluctuate for a number of reasons which are largely outside our control. For the third year in a row, the Group has grown its rental income at a greater rate than the increase in the value of its properties. This reflects the normalisation of

capital values after an unsustainable period of inflation boosted by a long period of low interest rates and London's sharp recovery in the aftermath of the global financial crisis. For the past three years, the Group's like for like valuation growth has averaged 4.8% per annum, a marked but unsurprising slowdown from the 13.8% per annum averaged over the previous three years'.

Our office and medical sectors delivered the strongest income growth, benefitting from the successful leasing of buildings redeveloped over the past two to three years. Retail income continued to hold up during one of the toughest ever periods for the UK's high streets. However, residential lettings were once again constrained by difficult market conditions. With four major sectors – medical, office, residential and retail & restaurant – our diversified portfolio has offset the weaker performance from the residential sector over the past two years. Income from property let to educational occupiers now exceeds 5% and for the first time this sector's performance is covered in the Strategic report.

Control of operational costs is another important financial and management objective and this year I am pleased to report good discipline across our main categories

of expenditure has helped increase revenue profit before tax from £67.7 million to £75.4 million, an increase of 11.4%. This is the fifth year in succession where we have achieved significant increases in revenue profits. The report on financial performance is included at pages 24 and 25.

Community and Responsibility

Over the past 12 months, we have increased our charitable and community financial contributions and built upon the community initiatives and local events with which we are associated. I am also pleased to report that we are now able to measure the carbon footprint in all our directly managed buildings. Sustainable use of our property is central to our ongoing success and we will use the data we collect to formulate initiatives to reduce the impact our activities have on the environment. Our investment in Community and Responsibility forms a major part of our Strategic report.

Approval

The Strategic report covering pages 4 to 43 was approved by the board of directors on 14 August 2018 and signed on its behalf by:

Andrew Hynard
Chief Executive

Property performance

The Group reported excellent growth in rental income, up 8.2%.



Strong contributions by our commercial sectors counterbalanced challenges in residential.



The office sector remains strategically important in providing diversity to our principal uses.



Medical income was our strongest performing sector, experiencing growth of 16%.



Our retail & restaurant sector is vital to the future success of the Estate.



The educational sector continues to grow, reaching its highest ever level of rental income.



Percentage of rental income by sector

At 31 March 2018

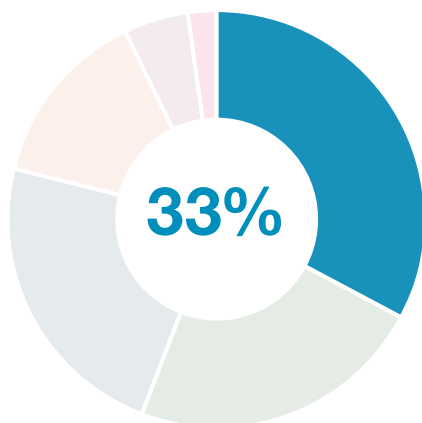


Rental income

	2018 £m	2017 £m	Change %
Medical	42.1	36.3	↑16.0
Residential	29.5	29.1	↑1.4
Office	28.8	26.7	↑7.9
Retail & restaurant	18.3	17.3	↑5.8
Educational	5.9	5.3	↑11.3
Other	2.9	3.1	↓6.5
	127.5	117.8	↑8.2



Medical
Percentage of rental income



Medical
Medical is our largest sector by income and second to residential by value. This year it contributed 33.0% of rental income and represented 28.7% by value. Our active policy of refurbishing and developing buildings has driven the growth of our medical passing rent from £25.0 million to £40.8 million, an increase of 63.2% in only four years. Another factor was the impact from changes in existing planning use, from office to medical, with income from the acquisition of medical property less significant. The value of our medical portfolio exceeds £1.26 billion, making the Group one of the largest owners of healthcare and hospital property in the UK.

Historically, The Howard de Walden Estate has been the majority owner of property on Harley Street and the surrounding streets. More recently, we have increased investment and strategic leadership of our medical sector. These measures have included the redevelopment of buildings and

£1,268.4m

VALUATION
2017: £1,175.4 MILLION

£42.1m

RENTAL INCOME
2017: £36.3 MILLION

↑16.0%

CHANGE IN RENTAL INCOME
2017: ↑17.1%

selective acquisitions. In addition, we also increased our understanding of the needs of hospitals and clinics, taking a more active approach to our selection of medical operators. We have created, promoted and co-ordinated the Harley Street Medical Area ('HSMA'), a collective of hospitals, clinics and specialists in and adjacent to our estate. There is strong evidence that clusters, particularly those formed by a geographic concentration of medical, life science or educational facilities, generate superior returns for their owners. Competition in these 'knowledge clusters' increases productivity and in turn drives innovation, which encourages the formation of new services and businesses and strengthens the demand for space in the area. The sharp growth by income and value provides encouragement for further investment and the continuation of our active approach to developing our medical cluster.

In the past 12 months, rental

income from medical properties increased £5.8 million, of which £2.9 million was due to a first full year of contribution from the lease at 66 Wigmore Street. In terms of significant new lettings after refurbishment, we were pleased to let 41 Harley Street to the Priory Group for use as a well-being clinic and also 61 Harley Street to a specialist dental practice. Rental increases, either after a market rent review or fixed increases, were other drivers, boosting our medical income by 16.0%. This year, we completed the purchase of three medical properties: 142-146 Harley Street, Macintosh House in Beaumont Street, and 150 Harley Street. Only 150 Harley Street was income-producing in the period, with the other two properties in development.



41 Harley Street



Royal Brompton & Harefield Hospitals, 77 Wimpole Street



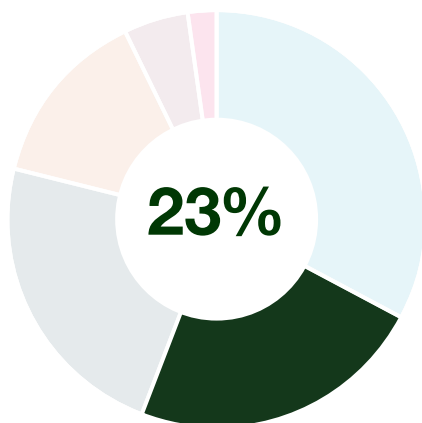
Harley Street Medical Centre (UME Group), 27 Harley Street



Dr Haus Dermatology, 140 Harley Street



Residential
Percentage of rental income



£1,331.1m

VALUATION
2017: £1,345.0 MILLION

£29.5m

RENTAL INCOME
2017: £29.1 MILLION

↑1.4%

CHANGE IN RENTAL INCOME
2017: 0.0%

Residential

Residential is our second largest sector by income and first by value. This year's income of £29.5 million represented 23.1% of the total, and at £1.33 billion, 30.1% by value. Residential rents have been flat for several years and this year's modest increase of £0.4m was only achieved because of rental income from units added to our portfolio after refurbishment. This included 18 apartments at 66-72 New Cavendish Street, constructed behind the retained 1890s façades of four townhouses, providing a mix of one, two and three bedroom apartments. Another addition to income was the long-term letting to a serviced apartment provider of 14 apartments at 58-72 Marylebone Lane.

Increased regulation of residential lettings, an additional 3% charge on stamp duty, the withdrawal of tax relief on buy to let mortgages and the emergence of build to rent schemes are putting pressure on residential landlords, particularly

those with only a few properties. This is creating a movement towards greater professionalisation of the sector and is likely to bring benefits to scale operators. With over 800 residential leases under management and a 24-hour customer maintenance service, we are well positioned to take advantage.

Although we rarely sell property we constantly evaluate net returns and have targeted some modest disposals to avoid funding acquisitions entirely from debt. In the year, we sold a freehold house at 17 Wimpole Street for £10.8 million and a long leasehold flat at Melcombe Regis Court for £1.4 million. We will continue to consider the limited disposal of non-strategic residential properties where we calculate the long-term net property returns to be less than our threshold rate of return.



126 Harley Street



17 Wimpole Street



Flat 4, 126 Harley Street

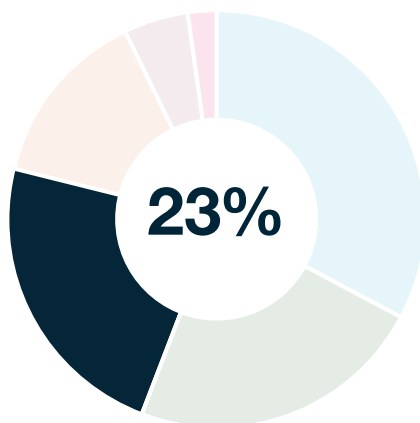


Flat 9, 103 Marylebone High Street



Office

Percentage of rental income



£958.2m

VALUATION
2017: £895.7 MILLION

£28.8m

RENTAL INCOME
2017: £26.7 MILLION

↑7.9%

CHANGE IN RENTAL INCOME
2017: ↑15.1%

Office

Providing high quality office accommodation is a key priority as it diversifies income from medical and residential – our two largest sectors by income and value. Office rental income totalled £28.8 million and represented 22.6% of the Group's rental income, and 21.6% by value. Activity remained strong and income increased by 7.9%, with recent acquisitions and lettings after refurbishment the principal factors. In January, the Group completed 47-53 Queen Anne Street, a 20,800 square feet office redevelopment behind a retained façade, with the building successfully let to an investment company.

The strategic importance of our office sector is underscored by our recent acquisition activity, which has helped mitigate the loss of income from developments planned for office use but pre-let to medical occupiers. While satisfying strong demand for medical use is desirable, sector diversity remains a priority. In the year, we agreed

terms to purchase the long lease of 2 Cavendish Square, a building of which the Group own the freehold, for £38.1 million. This transaction completed after the financial year end and provides a fully let, 27,500 square feet multi-tenanted office in a well located building, minutes from Oxford Circus underground station. In the last two years, we have invested in excess of £100 million in acquiring office properties.

Providing office space in period or modern buildings with a variety of floor plates and offering a variety of leases attracts new businesses to our estate. Of equal importance, however, is how flexibility helps existing occupiers to upscale or downsize their property needs while remaining our customers, with our relationship-driven leasing team ready to respond. We recognise that there is a fantastic choice of office space available in London and our aim is to differentiate what we offer in a vibrant community setting.



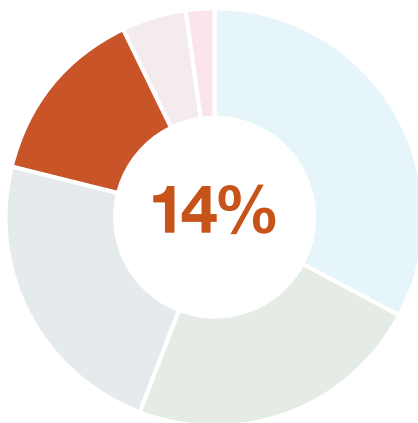
2 Cavendish Square



All images: 47-53 Queen Anne Street



Retail & restaurant
Percentage of rental income



£651.2m

VALUATION
2017: £619.6 MILLION

£18.3m

RENTAL INCOME
2017: £17.3 MILLION

↑5.8%

CHANGE IN RENTAL INCOME
2017: ↑7.5%

Retail & restaurant

Retail & restaurant income totalled £18.3 million, an increase of £1.0 million, and represented 14.4% of rental income and 14.7% by investment property value. Our retail & restaurant sector, which provides an essential amenity to local workers and residents, has been important in developing the appeal of Marylebone. Retail is experiencing a profound transformation, with the disruptive impact of online purchasing just one aspect of what has become a complex issue. To a large extent, our independent owner-operated formats have insulated us from the highly publicised failure of high street chains. However, many of our retailers and restaurateurs are small businesses which are also challenged by the sharp increase in business rates, higher staff costs and product inflation induced by the Brexit devaluation of sterling. They are typically more reliant on in-store purchases, so we constantly look at ways to increase footfall

from local occupation, whether residential or business, and drawing visitors to the area. Part of our strategy is to provide shops and restaurants which are different to those available nearby. A key factor enabling this is increased consultation with our retailers through our retail forum. In March we launched a new event, the Marylebone Food Festival, a stunning showcase of food and wine available in and around our estate.

During the year, we welcomed Slowear, an Italian family-owned men's fashion store at 25 Marylebone High Street, Dinny Hall, a fashion jeweller at 66 Marylebone Lane, and Delamina, a Mediterranean restaurant, also on Marylebone Lane. We anticipate that the completion of the Marylebone Lane shared surfacing and the nearby development will bring additional activity to the area and encourage our new retailers and restaurants to flourish.



Caffé Caldesi, 118 Marylebone Lane



Orrery, 55 Marylebone High Street



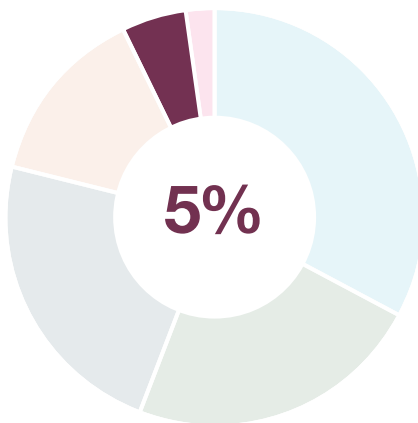
Slowear, 25 Marylebone High Street



Delamina, 56-58 Marylebone Lane



Educational
Percentage of rental income



£167.6m

VALUATION
2017: £152.9 MILLION

£5.9m

RENTAL INCOME
2017: £5.3 MILLION

↑11.3%

CHANGE IN RENTAL INCOME
2017: ↑1.9%

Educational

While our educational sector is not a major driver of income or value, it makes a significant contribution to the Marylebone community. Educational income now totals £5.9 million and investment properties are valued at £167.6 million. We are fortunate to have a wide range of state and independent schools, both preparatory and senior, and estimate that 2,500 pupils attend these schools. There is also a Hope Montessori nursery and graduate and post-graduate courses available at Regent's University and Groupe INSEEC.

The Group has a particularly strong relationship with its two state funded local schools: St Vincent's Catholic Primary School and The St Marylebone CE School and has provided funding for improvements and scholarships to help promising students attend university. OFSTED's latest report describes the teaching performance and pupil achievements at both these schools

as outstanding. Another leading institution with which we have forged close links is the world-renowned Royal Academy of Music. In the year, we provided £25,000 to support the opening of the Susie Sainsbury theatre and continued to provide scholarships to aspiring musicians.



Christie's Education, 42 Portland Place



Queen's College, 43-49 Harley Street



Royal Academy of Music, Marylebone Road



Royal Academy of Music, Marylebone Road

Chief Executive's outlook

Outlook

Last year I indicated the inauspicious start to the difficult negotiation of the UK's exit from the European Union ('EU'), and one year on, with only months to go until 29 March 2019, the uncertainty over the shape and form of Brexit increases daily. To date, our business has not been impacted, with vacancy rates for our commercial properties at historic lows.

Drawing on our long experience of managing the Estate through times of adversity, we will continue to invest in our built environment, to maintain and improve our stock and to selectively add where we see opportunity. We have recently agreed terms to pre-let Macintosh House in Beaumont Street to King Edward VII's Hospital. This represents 29,000 square feet of specialist medical accommodation over seven floors. The redevelopment of the site is well underway with completion expected in March 2020. Other significant projects now underway or planning approved include the refurbishment of 16,955 square feet of medical space at 142-146 Harley Street, 21,000 square feet of office space at 24 Portland Place and 15,000 square feet of mixed use space at 110 Marylebone High Street. These large projects indicate our willingness to invest during this uncertain period, alongside the many smaller refurbishments which we regularly undertake.

I am also pleased to report that in May we successfully achieved planning consent to enlarge and redevelop our office at 23 Queen Anne Street. Our plan is to increase the size of the building to create approximately 5,000 square feet of additional floor space in a modern open plan office with improved amenities for employees. While our office is being redeveloped, it will be necessary for us to rent temporary accommodation at a yet to be identified location nearby, for a period of up to two years. During this period, our commitment to the maintenance of our properties and the services provided to our

customers will remain unaffected, however, the extra cost will increase our operational expenditure.

In collaboration with fibre network specialist G.Network, we installed ultrafast fibre broadband to approximately half of the main streets on our estate, including Harley Street and Wimpole Street. We shall extend the network with a second phase of installation, to include Marylebone High Street, Portland Place and New Cavendish Street. Our commitment to providing improved connectivity to our customers is absolute and we aim to be the best connected estate in central London.

Since the 2016 referendum, we have reported two of our largest annual increases in income and profit as London's economy has proven to be more resilient than many had predicted. As the clock counts down to the EU exit date, however, it looks more likely that the withdrawal process will be disorderly, with political instability and economic stress. The property cycle has enjoyed an unprecedented period of low interest rates and in the same period London has consolidated its position as a global city. We have been a significant beneficiary of these dynamics for several years and recognise that a correction is overdue. Despite this caution, we remain optimistic that the Group will continue to achieve its long-term success and that our attributes of income diversity and financial strength will help during periods of uncertainty.



24/24a Portland Place



All images: Future development of The Howard de Walden Estate office (artist's impression), 23 Queen Anne Street

Financial performance

Financial performance

Headline profit before tax was £212.8 million, a decrease of 15.9% when compared with the previous year's total of £253.1 million, and includes the revaluation of investment properties and profit generated from disposals. The downturn was largely anticipated given the slowdown in valuation growth from last year. Headline profit also includes the revaluation of financial derivatives and the Group's foreign currency borrowings. The Group uses financial derivatives to fix payments of interest on borrowings and to protect against currency fluctuations. However, the annual change in value of these contracts is recorded as a gain or loss in the Statement of Comprehensive Income. Our preferred measure of profitability is revenue profit before tax, as it excludes the variable impact on headline profit of revaluation movements and gains or losses on disposals. This year's adjustment from headline profit to revenue profit is set out on page 25. Revenue profit was £75.4 million, an increase of 11.4% when compared with last year's total of £67.7 million.

The main factor behind the strong growth in revenue profit was the 8.2% increase in rental income, from £117.8 million to £127.5 million, largely due to successful new medical lettings and rent reviews in our office portfolio. Income from retail & restaurant continued to grow, however, residential rents remained flat. During the year, the Group's cost of sales, almost entirely property-related expenditure, increased from £17.3 million to £17.7 million. Administrative costs increased from £17.6m to £18.6 million. The Group's operational expenditure increased by 4.0%, much less than the increase in rental income, causing operating profit to grow by 9.8%, from £83.9 million to £92.1 million.

Finance costs were slightly higher, increasing from £16.0 million to £16.7 million. The average amount borrowed in the year was £447.1 million, representing an increase of £17.5 million

from the previous year (2017: £429.6 million). The average rate paid on borrowings was 3.7%, the same level as last year. No new financing activity was undertaken in the period and the £100 million bank facility remained undrawn throughout. At 31 March 2018, the Group's average debt maturity was 10.1 years (2017: 11.1 years) with the first repayment falling due in September 2021. The level of net borrowing to net assets, the gearing ratio, decreased slightly from 11.4% to 11.3%. A low level of external borrowing is supported by robust interest cover of 5.6 times (2017: 5.3 times).

Valuation

At 31 March 2018, the Group's investment properties were valued at £4,427 million, an increase of 4.5% overall, and 3.3% on a like for like basis. Residential properties totalled £1,331 million, and despite a small decrease of £13.9 million, represents our most valuable sector, closely followed by medical, valued at £1,268 million (an increase of 7.9%) and then office at £958.2 million.

Acquisitions and disposals

The Group acquires property to maintain sector diversity and to unlock value from either adjacent ownership or long-term active management, utilising our specialised understanding of the Marylebone market. Our preferred investment is commercial property, primarily in office or medical use, and during the year we acquired £40.3 million with the largest transaction being the commitment to purchase an office head lease at 2 Cavendish Square. We raised £22.8 million from disposals, of which £10.8 million came from the sale of a freehold and our proceeds from enfranchisements totalled £10.3 million.

Financial performance since 31 March 2014

The Group's rental income has increased by 42.0% from £89.8 million to £127.5 million.

In the same period, revenue profit before tax has increased 67.6% from £45.0 million to £75.4 million.

The value of the Group's investment properties has increased 37.5%, from £3,220 million to £4,427 million, an increase of £1,207 million. In the same period, shareholders' funds increased by 42.6%, from £2,356 million to £3,360 million.

Financial performance

£75.4m

Revenue profit before tax increased 11.4% when compared to last year's total of £67.7 million.

37.5%↑

The increase in the value of investment properties since 31 March 2014.

42%↑

The increase in rental income since 31 March 2014.

4.5%↑

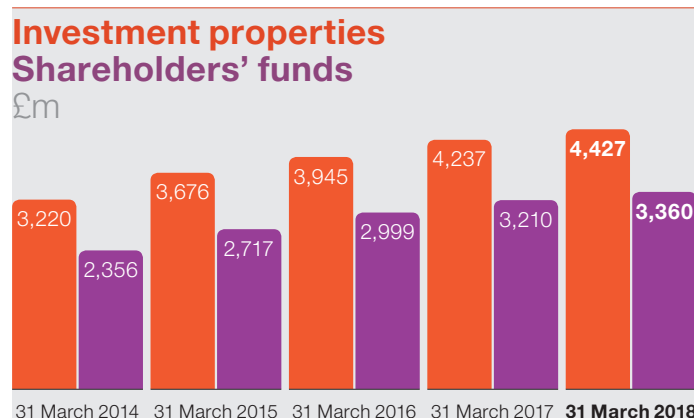
Year on year increase in the value of investment properties.

£3,360m

At 31 March 2018, the value of the Group's shareholders' funds.

£40.3m

The value of property acquired in the year.



Financial performance	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m	Change £m	Change %
Profit before taxation	212.8	253.1	(40.3)	↓(15.9)
Adjustments:				
Gain on revaluation of investment properties	(139.5)	(186.7)	47.2	↓(25.3)
Profit on disposals	(3.6)	(8.7)	5.1	↓(58.6)
Loss/(gain) on fair value of derivatives	32.5	(21.4)	53.9	↓(251.9)
(Gain)/loss on foreign exchange	(26.8)	31.4	(58.2)	↑185.4
Revenue profit before taxation	75.4	67.7	7.7	↑11.4

Valuation	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m	Increase/ (Decrease) £m	Change %
Residential	1,331.1	1,345.0	(13.9)	↓(1.0)
Medical	1,268.4	1,175.4	93.0	↑7.9
Office	958.2	895.7	62.5	↑7.0
Retail & restaurant	651.2	619.6	31.6	↑5.1
Educational	167.6	152.9	14.7	↑9.6
Other	50.7	48.0	2.7	↑5.6
	4,427.2	4,236.6	190.6	↑4.5



15 November

The Marylebone Christmas Lights was organised and funded by The Howard de Walden Estate in support of School Home Support.

£9,707

Final total raised for School Home Support.



Community and Responsibility

Overview

Whilst 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, it is recognised that this is best achieved by clearly understanding how its activities affect neighbours and the environment. As a consequence, 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. Whilst our landholding is relatively small at 92 acres, it contains a world-leading medical destination, a desirable central London office location, a renowned retail & restaurant district, a highly sought after residential area and has 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 a Community & Responsibility ('C&R') Committee in August 2017 which sets out its approach to community and environmental matters.

The C&R Committee meets every six to eight weeks and is responsible for oversight of the Group's Community and Responsibility priorities in the following four key areas:

Our Community and Responsibility priorities

1. Environment and Sustainability

- 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 who 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.

2. Community and Charity

- We aim to have a positive impact on the community and to act with integrity.
- We give our time, our money and our 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 linked to the Group's financial performance.
- Where appropriate we also provide non-financial support to local community led organisations.

3. 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 credentials.
- We promote our customers through our programme of public and private events.
- We aim to deliver an excellent customer service.

4. 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.

Investment in Community

Investment in people

Customers

Residents

Commercial occupiers

Local stakeholders

Our people

Visitors



Investment in place

Environment

Public realm

Infrastructure

Buildings



20 May



17-18 June



15 November



8-18 March



Environment and Sustainability

Energy Performance Certificates

The Group aims to achieve the highest environmental performance from its properties. A major consideration in our programme of residential refurbishment is to improve the energy rating, especially in light of energy efficiency standards. As of April 2018, there is a requirement for any new lettings of residential units to have a minimum Energy Performance Certificate ('EPC') of E. The deadline is extended to April 2020 for existing leases and there is draft legislation to require all units to have an EPC rating of D or above from April 2025.

The table opposite highlights the EPC ratings of 850 residential units as at the year end with forecast improvements for 2020 and 2025. The targeted ratings, with more than half to be rated C or above, underlines our commitment to higher energy performance. We improve the EPC rating of our residential units by a combination of:

- Heat recovery/whole house ventilation systems
- Low energy LED lighting
- Air source heat pumps
- Energy efficient boilers
- Smart thermostats

Our recent refurbishment of 66-72 New Cavendish Street is a good example of this approach with sustainability measures including enhanced fabric insulation, whole house ventilation and the installation of underfloor heating from air source heat pumps.

Energy consumption and carbon emissions

While the Group has no reporting requirement to calculate greenhouse gas ('GHG') emissions, we think it is vital for all businesses to consider the impact of their activities on the environment.

During the year, the C&R Committee appointed Carbon Credentials (www.carboncredentials.com), a leading independent energy

performance and carbon compliance consultant to calculate the energy usage and carbon output of our directly managed properties (those with a landlord meter) and our own office building. Carbon Credentials collected and analysed data from 301 meters, 1,910 invoices and 10 suppliers across 182 properties. As this is our first year reporting, comparative figures are unavailable, however, we have established baseline figures to report against in future years and will use the data to formulate initiatives to reduce our carbon footprint.

For the year ended 31 March 2018, the directly managed properties used 7,145 MWh of energy, which translates to emissions of 2,017 tonnes of carbon dioxide equivalent (tCO₂e) from Scope 1 (combustion of fuel – direct GHG) and Scope 2 (purchased gas and electricity – indirect GHG) as shown in the table opposite.

Methodology

We have quantified our organisational GHG emissions according to the Greenhouse Gas Protocol. Carbon Credentials, performed the calculations to convert our activity data into CO₂ equivalent using the UK Government 2017 Conversion Factors for Company Reporting.

Reporting boundaries and limitations

Emissions for all of our directly managed properties have been disclosed, which includes our own office. The GHG sources that constitute our operational boundary for the year are:

- Scope 1: natural gas combustion within boilers and generators
- Scope 2: purchased electricity consumption for our own use

As this is our first year of reporting, we have been unable to gather sufficient information to estimate waste, therefore this is excluded, but we aim to include it in future reports.

Assumptions and estimations

As this is the first year we have

reported GHG emissions it was necessary to use some assumptions to estimate data, particularly as we changed energy suppliers during the year. Of the carbon emissions reported, 86% has been directly confirmed with suppliers with only 14% estimated. We therefore consider the data to be reliable and hope to gain improved coverage in future years. In cases where we had missing data, the figures have been estimated using extrapolation of available data in the reporting period.

Improving performance

The C&R Committee is committed to reducing the Estate's carbon footprint and environmental impact and will monitor these reports to evaluate options. Each year, we undertake a significant amount of refurbishment work as part of our commitment to providing buildings fit for our customers. In order to assess the impact of these works, we will evaluate methods to increase the range of our reporting to include Scope 3 carbon emissions (those produced by a third party on our behalf). This would require us to capture and report the carbon emissions emitted by contractors appointed by us to carry out refurbishment works.

Now that we have begun the process of collecting energy and waste data, it will help us measure our consumption of energy and production of waste, and over the next few years we will look for ways to reduce both, for the benefit of the environment and to support our customers in achieving their own sustainability objectives.

Energy Performance Certificate ratings

EPC Rating (Residential units)

	*March 2018 Actual	**2020 Target Figures	***2025 Target Figures
A			
B	87	91	101
C	277	275	376
D	234	242	373
E	156	242	–
F	16	–	–
G	8	–	–
No rating	72	–	–
Total	850	850	850

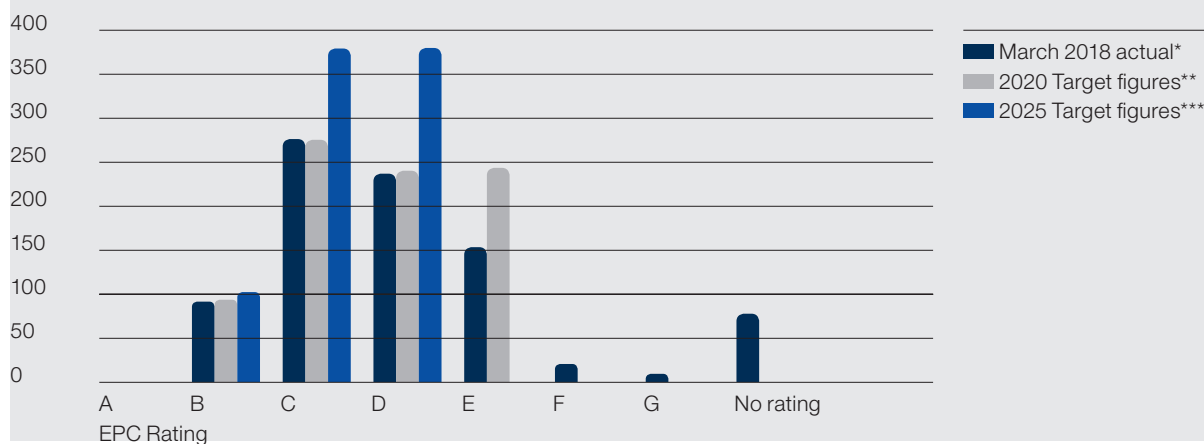
*Requirement for all new lets to have an EPC rating of E or above from April 2018

**Requirement for all units to have an EPC rating of E or above from April 2020

***Draft legislation for all units to have an EPC rating of D or above from April 2025

Number of residential units by EPC rating

Number of properties



Energy consumption and carbon emissions

GHG emissions split by Scope 1 and 2

		Year ended 31 March 2018
Direct	Scope 1	545
Indirect	Scope 2	1,472
	Total Landlord tCO₂e	2,017

Scope 2 emissions have been calculated using the location-based approach using UK specific emission factors and are calculated and reported in tCO₂.

Environment and Sustainability

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 focussed on improving air quality in Marylebone, as well as a member of the Wild West End which focuses on attracting wildlife back to central London.

For all refurbishment projects, we look to install a green roof and have successfully implemented more than 15 across the Estate as well as 5 green walls. This commitment can be seen through our planned refurbishment of our own office building where we plan to introduce two new green roof spaces with an array of plants as well as a new hive for our bees.

We contacted all residents at Wigmore Place asking for their participation to 'green the mews' which was met with enthusiasm and interest. The Estate provided all interested parties with planter boxes and plants with the request that occupiers simply take care of them in the future. The project has been a huge success and we are considering similar initiatives for other parts of our estate.

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 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 very high scores for many of our projects. Our minimum standard is to achieve a score of 25 out of 50, which we would deem acceptable. The Group's aim is to

achieve scores in excess of 35 across our projects, which we consider very good, and for scores of 40 or above, excellent.

We are pleased that one of the Group's contractors, Deconstruct UK, who are working on the refurbishment of 141 Harley Street, were able to achieve an excellent score. The Deconstruct UK team achieved a score of 40 on the first visit and followed this up with an impressive score of 43 on a second visit. Achieving excellent scores on both visits, Deconstruct UK were issued with a Performance Beyond Compliance Certificate from the Considerate Contractors Scheme. Deconstruct UK's willingness to engage with neighbours and local stakeholders, the inclusion of biodiversity and environmental measures and improved welfare facilities for its onsite staff should serve as a fantastic example to others.

Health and safety

Our Health and Safety Committee comprises employees and directors with the primary responsibility to review environmental 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. 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 Health and Safety Committee reviews current and proposed health and safety legislation and makes sure that the Group is able to meet its obligations while achieving its long-term business objectives. The Committee also reviews the effective management of health and safety across The Howard de Walden 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 as part of the duties with

recommendations made to the board when required. During the year, there were three accidents involving staff or members of the public, one of which was reported to the Health and Safety Executive ('HSE') under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ('RIDDOR'). In this instance, the HSE took no further action. Each of our directly managed buildings is formally inspected once a year by a fire risk assessor and once a year by a health and safety risk assessor. Ad hoc inspections following accidents or incidents are also undertaken. Findings by any of the inspectors are notified immediately 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 by a 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.



Redevelopment, 141 Harley Street



Future development of The Howard de Walden Estate office



Wigmore Place

Community and Charity

Events

The Group has a team dedicated to organising an active programme of events, all designed to foster collaboration and promote the area. The Group invests its own funds in these events, some of which also raise money for nominated charities. The main events in the year included:

- Marylebone Interiors Day
- Marylebone Summer Film Night
- Marylebone Summer Fayre
- Medical Forum
- Marylebone Christmas Lights
- Arab Health
- Marylebone Food Festival

It is important that the Group engages with local groups and stakeholders. Attendance at, and contribution to local forums, meetings and events is a key part of our community responsibility.

These include:

- Marylebone Association AGM
- Marylebone Forum and planning meetings
- Remembrance Sunday
- Christmas carol concerts
- Local school and university presentations, performances and awards

Donations

The Group's financial strength allows it to provide financial assistance to worthy causes, particularly those which have a connection to Marylebone. We prefer donations that can be made over a longer period so as to make a more meaningful contribution to our chosen charities. Currently, we do not include the time and cost to our business for our staff who volunteer for community or charitable work in the calculation of our overall financial contributions, however, we are looking at ways in which we can measure this. The level of direct financial contributions to charitable and community causes is a key performance indicator of the Group and in the year ended 31 March 2018, the Group donated £591,000, an increase of £126,000 from last year's total of £465,000.

Fundraising

As well as directly donating to good causes, events organised and promoted by the Group are a catalyst for fundraising for our nominated charities. As an example, the following sums were raised in the year:

- Marylebone Summer Fayre**
£27,574 for
Children of St Mary's Intensive Care
- Marylebone Christmas Lights**
£9,707 for
School Home Support
- Marylebone Food Festival**
£2,180 for
FoodCycle Marylebone

The Group also contributed to other local events in a way that allows the organisers to make charitable donations. The Estate has been one of the main sponsors of the Marylebone Music Festival for the last two years, and this has allowed the organisers to pass the proceeds from ticket sales to their chosen charity, The West London Day Centre.

- Marylebone Music Festival**
£5,105 for
West London Day Centre



£591,000
In the year ended 31 March 2018, the Group donated £591,000, up from £465,000 last year.

This included a donation to The Royal Academy of Music to help fund its award-winning performance space, the Susie Sainsbury Theatre.

The Group's donations have also helped set up a pilot befriending project to tackle social isolation among the older population in our community.



Harley Street Medical Area ('HSMA') at Arab Health



Marylebone Food Festival

Our 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. We provide a 24 hour maintenance service to residential customers, actively promote retailers and medical occupiers and are half way through our project to deliver ultrafast fibre broadband across the Estate.

The Group invests in marketing and communications to promote our customers and the area as a whole. 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.

Our People**Employees**

Our employees are fundamental to our business model and the delivery of long-term growth in income and value. The Group's employee turnover rate increased this year to 17% (2017:8%) and excluding retirement was 14% (2017: 6%). 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 our 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 role 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 a corporate member of Real Estate Balance, formed to correct the gender imbalance in senior positions in the property industry. The Group

supports all its talented people on their journey to the top of our industry. The Group calculated gender diversity 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 on the page opposite.

Employee volunteering

The Group recognises the importance of charitable giving, but arguably time given by our people to good causes is of even greater significance. Many of our 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 volunteer.

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 avert 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

All employees **58%**
 Female

42%
 Male

Split:

Board Female 36%
 Male 64%

Executives Female 40%
 Male 60%

Managers Female 40%
 Male 60%

Workforce Female 63%
 Male 37%





10

The 10 day inaugural Marylebone Food Festival, 8-18 March, sponsored by The Howard de Walden Estate.

£2,180

The amount raised by the festival for its charity partner, FoodCycle Marylebone.



12

**'The World on a Plate'.
Over a dozen of Marylebone's
restaurants and wine specialists
collaborated to prepare an
exclusive tasting menu.**

Principal risks and uncertainties

The management of risk is essential in order that the Group is able 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.

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 management board 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 30 July 2018 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 in order 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 whose 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
<p><i>Risk</i> An event which damages or reduces the attractiveness of central London.</p>	<p><i>Control or mitigation</i> 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.</p> <p>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.</p>
<p>Geographical concentration of assets.</p>	<p>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.</p>
<p>Inadequate returns from developments and refurbishments.</p>	<p>Development 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.</p>
<p>Increasing construction costs due to site constraints or difficulty in agreeing fixed price contracts.</p>	<p>The Group attempts to engage contractors on fixed price contracts for major refurbishment or redevelopment projects, allowing for a contingency within the appraisal. In the event that costs escalate to make a project unviable, the Group will not proceed. Reviews of completed redevelopments are undertaken to identify methods to improve the management of project expenditure.</p>
Financial risks	Specific to the Group's capital structure or financing activities
<p><i>Risk</i> Restrictions in the availability of debt funding or an increase in its cost.</p>	<p><i>Control or mitigation</i> The Group largely funds expenditure from cash generated by its operations with a limited amount of external borrowing. At 31 March 2018, net debt totalled 11.3% of shareholders' funds. Funding risks are minimised by refinancing debt repayments prior to their maturity and spreading future debt repayments over a number of years. At 31 March 2018, the Group had £447 million of long-term borrowings with the earliest repayment due in 2021 and the last in 2036. At the same date, the Group had £100 million of undrawn bank loans.</p>

Principal risks and uncertainties

<p>Economic risks</p>	<p>Macroeconomic conditions that threaten the Group's ability to meet its strategic objectives</p>
<p><i>Risk</i> Significant economic decline resulting in reduced demand for commercial and residential real estate.</p>	<p><i>Control or mitigation</i> 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 & restaurant and educational use, avoiding concentration risk from a decline in one dominant use category.</p>
<p>Decrease in affordability leading to an increase in rent arrears.</p>	<p>The Group has in excess of 2,200 lease agreements and seeks to limit exposure to its largest customers. 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.</p>
<p>A decrease in London's economic activity due to political uncertainty e.g. Brexit negotiations.</p>	<p>There is little current evidence that our customers are directly affected by political uncertainty. The risk of economic weakness emerging from the political climate will increase, however, as we move closer to the date of the UK's exit from the European Union (March 2019) without an agreement on trade. Senior property managers maintain close cordial relationships with customers and are instructed to bring to the attention of the Executive Committee customers wishing to terminate or giving notice to terminate a lease because of a Brexit related issue.</p>
<p>Operational risks</p>	<p>The Group suffers a loss or adverse consequences due to weak or inadequate processes</p>
<p><i>Risk</i> Health and Safety. Accidents causing loss of life or serious injury to employees, contractors or occupiers.</p>	<p><i>Control or mitigation</i> Health and safety procedures are already in place and overseen by a Health and Safety Committee. A plan to improve existing health and safety procedures throughout the Group will shortly be presented to the Executive Committee and the board for approval. The Group has recently appointed a new Health and Safety Manager to assist with the implementation of its health and safety plan, 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.</p>
<p>Disruption of access to The Howard de Walden Estate office due to a threat to security or public safety.</p>	<p>The Group has recently moved its IT infrastructure from storage at its office to a data centre. The Group is testing and introducing new arrangements to allow employees to continue to access business critical systems from non-office locations if business at our office is disrupted.</p>

Regulatory risks	
<p><i>Risk</i> Changes to planning policy.</p>	<p><i>Control or mitigation</i> 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 income and value return from a development. Where planning consent is not achieved, however, the fall-back position is to maintain the property in its existing use.</p>
<p>Failure to deliver planning use swaps.</p>	<p>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 development 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).</p>
<p>Failure to comply with environmental legislation.</p>	<p>Compliance with environmental legislation is a key consideration prior to commencement of refurbishment or development works. The refurbishment and maintenance of some of the 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.</p>

Governance

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 of 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 seven Non-Executive directors with CEO or equivalent experience on the board and four family shareholders, plus the three Executive directors:

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

Name	Role	Executive / Non-Executive
Sir William Proby Bt CBE DL <i>(appointed 6 December 2017)</i>	Chairman <i>(from 6 December 2017)</i>	Non-Executive
Peter Barton DL <i>(resigned 6 December 2017)</i>	Chairman <i>(to 6 December 2017)</i>	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 <i>(appointed 6 December 2017)</i>		Non-Executive
Liz Peace CBE		Non-Executive
Christopher Peacock		Non-Executive
Toby Shannon		Non-Executive

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, that convene during the year between board meetings.

The Audit Committee reports to the board and oversees financial reporting, 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, Sir Christopher Howes, Christopher Peacock and Liz Peace who make recommendations to the board on the Executive directors' remuneration, based upon independent external professional advice.

Governance

It is the nature of the property business that some matters are large, complex and take time to resolve and therefore the Group operates an Investment Committee which also reports to the board. These meetings allow members adequate time and preparation to explore, understand, challenge and approve an investment which exceeds the authority level delegated by the board to the Executive directors. This committee comprises the Chairman, the Deputy Chairman, the Executive directors, Marc Gilbard, Christopher Peacock and Toby Shannon. 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 are integral to the continued success of the Group as they bring 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, Fiona Barnes, Julian Best, Steven Hudson (up to 2 March 2018), Andrew Wilson (up to 10 January 2018), James Fisher (from 10 January 2018), Tracey Hartley (from 9 October 2017) and Peter Griffith met six times in the year ended 31 March 2018. Jenny Hancock and Paul Bakker were appointed to ExCo post year end.

The members of the senior management team during the year, excluding Group board members, are listed below:

Name	Role	Length of service at 31 March 2018
Peter Griffith *	Director, Company Secretary	3 years
Paul Bakker * ¹	Property Management Director	15 years
Fiona Barnes *	Director, Group Financial Controller	23 years
Julia Bellingham	HR Director	6 years
Julian Best *	Property Investment and Strategy Director	3 years
Eddie Boghossian	IT Director (Retired 31 December 2017)	21 years
Shirley Boullier	Residential Lettings Director	15 years
Harbans Chohan	Legal Director	1 year
Nick Darling	Insurance Director	2 years
James Fisher *	Building Projects Director	18 years
Jenny Hancock * ¹	Community and Marketing Director	14 years
Tracey Hartley *	Residential Director (Appointed 9 October 2017)	<1 year
Steven Hudson*	Property Management Director (Resigned 2 March 2018)	29 years
Claire Kennedy	Office and Medical Lettings Director	24 years
Ray O'Halloran	Maintenance Director	3 years
David Russell	Commercial Property Director	23 years
Ian Sands	Enfranchisement Director	9 years
Ken Shortt	Residential Director (Resigned 31 March 2018)	12 years
Andrew Wilson*	Planning and Projects Director (Retired 10 January 2018)	35 years

The above directorships relate to the Group's management company, Howard de Walden Management Limited.

*Indicates a member of ExCo

*¹Indicates a member of ExCo post year end

Directors' report

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

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.

Directors' report

Dividends

During the year the Group paid dividends of £32,931,000 (2017: £29,977,000) to shareholders.

This report was approved by the board of directors on 14 August 2018 and signed on its behalf by:

Andrew 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 2018 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 2018 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.

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

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 2018

Officers and professional advisers

Secretary

P Griffith

Registered Office

23 Queen Anne Street
London
W1G 9DL

Company registered number

06439246

Bankers

Lloyds Bank 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
Liz Peace CBE
Christopher Peacock
Toby Shannon

Executive directors



Andrew Hynard



Simon Baynham



Mark Kildea

Financial Statements



Group Statement of Comprehensive Income

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	5	128,362	118,765
Property outgoings and cost of sales		(17,661)	(17,271)
Gross profit		110,701	101,494
Administrative expenses		(18,598)	(17,586)
Operating profit	5	92,103	83,908
Gain on revaluation of investment properties	12	139,535	186,701
Profit on sale of investment properties		3,604	8,672
Interest receivable and similar income	6	231	80
Interest payable and similar charges	7	(17,001)	(16,247)
Fair value (loss)/gain on derivative financial instruments		(32,464)	21,409
Gain/(loss) on foreign currency exchange		26,753	(31,433)
Profit on ordinary activities before taxation	8	212,761	253,090
Tax on profit on ordinary activities	10	(31,591)	(7,191)
Profit for the year after taxation		181,170	245,899
Other Comprehensive Income			
Actuarial gain/(loss)	22	2,316	(6,546)
Deferred taxation arising on actuarial gain/(loss)	10	(440)	1,244
Other Comprehensive Income for the year		1,876	(5,302)
Total Comprehensive Income for the year		183,046	240,597

Group Statement of Financial Position

As at 31 March 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investment properties	12	4,427,197	4,236,625
Tangible fixed assets	13	879	841
		4,428,076	4,237,466
Current assets			
Derivative financial assets	24	34,470	73,886
Debtors	15	25,530	15,600
Cash at bank and in hand		67,951	80,656
		127,951	170,142
Creditors: Amounts falling due within one year	16	(91,455)	(74,392)
Net current assets		36,496	95,750
Total assets less current liabilities		4,464,572	4,333,216
Creditors: Amounts falling due after more than one year			
Bank loans, other borrowings and other creditors	17	(467,982)	(494,599)
Derivative financial liabilities	24	(28,151)	(34,994)
Net assets excluding provisions		3,968,439	3,803,623
Provisions			
Defined benefit pension liability	22	(9,627)	(12,127)
Deferred tax liability	10	(598,800)	(581,599)
Net assets		3,360,012	3,209,897
Capital and reserves			
Called up share capital	19	2,667	2,667
Merger reserve	20	2,917	2,917
Revaluation reserve	20	2,977,184	2,872,270
Other reserve	20	149,481	131,120
Profit and loss account	20	227,763	200,923
Shareholders' funds		3,360,012	3,209,897

The accounts were approved by the board of directors on 14 August 2018 and were signed on its behalf by:

Andrew Hynard
Director

Mark Kildea
Director

Group Statement of Changes in Equity

for the year ended 31 March 2018

	Called up share capital £000	Merger reserve £000	Revaluation reserve £000	Other reserve £000	Profit & loss account £000	Shareholders' funds £000
At 1 April 2016	2,667	2,917	2,717,244	88,924	187,525	2,999,277
Profit for the year	–	–	–	–	245,899	245,899
Other Comprehensive Income	–	–	–	–	(5,302)	(5,302)
Total Comprehensive Income for the year	–	–	–	–	240,597	240,597
Transfer of investment property revaluation gains	–	–	186,701	–	(186,701)	–
Transfer of deferred taxation arising on investment properties	–	–	3,647	–	(3,647)	–
Transfer of realised profits	–	–	(35,322)	42,196	(6,874)	–
Equity dividends paid	–	–	–	–	(29,977)	(29,977)
At 31 March 2017	2,667	2,917	2,872,270	131,120	200,923	3,209,897
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)	–
Transfer of deferred taxation arising on investment properties	–	–	(17,754)	–	17,754	–
Transfer of 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

Group Statement of Cash Flows

for the year ended 31 March 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Cash generated from operations	21		83,938		89,211
Corporation tax paid			(13,308)		(12,955)
Net cash inflow from operating activities			70,630		76,256
Investing activities					
Interest received and other fees		204		80	
Additions to investment properties		(56,569)		(124,717)	
Acquisition of subsidiary		–		(220)	
Additions to tangible fixed assets		(240)		(104)	
Proceeds from sales of investment properties		22,753		44,803	
Proceeds from sales of tangible fixed assets		30		24	
Net cash outflow from investing activities			(33,822)		(80,134)
Financing activities					
Interest paid		(16,582)		(14,862)	
New long term borrowings		–		100,000	
Revolving credit facility drawn down		–		80,000	
Revolving credit facility repaid		–		(80,000)	
Equity dividends paid		(32,931)		(29,977)	
Net cash (outflow)/inflow from financing activities			(49,513)		55,161
(Decrease)/increase in cash and cash equivalents			(12,705)		51,283
Cash and Cash equivalents at 1 April			80,656		29,373
Cash and Cash equivalents at 31 March			67,951		80,656

Company Statement of Financial Position

as at 31 March 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	14	181,220	162,120
Current assets			
Debtors	15	–	–
Cash at bank and in hand		9	6
		9	6
Creditors: Amounts falling due within one year	16	(269)	(329)
Net current liabilities		(260)	(323)
Net assets		180,960	161,797
Capital and reserves			
Called up share capital	19	2,667	2,667
Other reserve	20	58,729	58,729
Profit and loss account	20	119,564	100,401
Shareholders' funds		180,960	161,797

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

The profit after tax for the financial year of the Company amounted to £52,094,000 (2017: £27,174,000).

The accounts were approved by the board of directors on 14 August 2018 and were signed on its behalf by:

Andrew Hynard
Director

Mark Kildea
Director

Company Statement of Changes in Equity

for the year ended 31 March 2018

	Called up share capital £000	Other reserve £000	Profit & loss account £000	Shareholders' funds £000
At 1 April 2016	2,667	58,729	103,204	164,600
Profit for the year	–	–	27,174	27,174
Total Comprehensive Income for the year	–	–	27,174	27,174
Equity dividends paid	–	–	(29,977)	(29,977)
At 31 March 2017	2,667	58,729	100,401	161,797
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

Notes to the Accounts

for the year ended 31 March 2018

1. Company information

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

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

2. Basis of preparation

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

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and the modification to a fair value basis for certain financial instruments as specified in the accounting policies 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 intragroup 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 disclosure exemptions available to it in respect of these financial statements. Exemptions have been taken in relation to financial instruments and presentation of a Statement of Cash Flows.

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.

Notes to the Accounts

for the year ended 31 March 2018

3. Significant accounting judgements and estimates

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revisions and future periods if the revision affects both current and future periods.

The items in the financial statements where these significant judgements and estimates have been made 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 undertaken by the Group's Property Director and Property Investment and 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 financial instruments is disclosed in notes 23 and 24.

Deferred tax

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.

Defined benefit pension scheme

The Statement of Financial Position assets and liabilities and the expected annual charge in respect of the defined benefit pension plan 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.

Notes to the Accounts

for the year ended 31 March 2018

4. Principal accounting policies**Turnover**

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.

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 has been computed to write off the cost less estimated residual value of all property, plant and equipment over their expected useful economic lives using the following rates:

Plant and machinery	— 15% of cost
Motor vehicles	— 25% of written down value
Computers	— 25% of cost

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

Notes to the Accounts

for the year ended 31 March 2018

4. Principal accounting policies continued

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less provision for impairment in the individual financial statements.

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 2018 were £15,702,000 (2017: £14,159,000).

Operating leases

Group as a lessee

Operating lease payments 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

Receipts 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 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.

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.

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.

Dividends

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

Notes to the Accounts

for the year ended 31 March 2018

4. Principal accounting policies continued

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.

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.

Notes to the Accounts

for the year ended 31 March 2018

5. Turnover and operating profit

	2018 £000	2017 £000
All of the Group's turnover arises in the United Kingdom	128,362	118,765
Analysis by class of business:		
Turnover:	2018 £000	2017 £000
Rental income	127,530	117,796
Lease premiums	11	15
Other income	821	954
	128,362	118,765
Operating profit:	2018 £000	2017 £000
Rental income	91,271	82,939
Lease premiums	11	15
Other income	821	954
	92,103	83,908

6. Interest receivable and similar income

	2018 £000	2017 £000
Bank interest receivable	123	57
Other interest receivable	106	19
Interest on corporation tax	2	4
	231	80

7. Interest payable and similar charges

	2018 £000	2017 £000
Bank loans and overdrafts	4,911	5,166
Unsecured loan notes	11,544	10,669
Amortisation of loan issue costs	202	193
Other interest payable	14	–
Interest on corporation tax	9	4
Net finance charge relating to pensions	321	215
	17,001	16,247

Notes to the Accounts

for the year ended 31 March 2018

8. Profit on ordinary activities before taxation

	2018 £000	2017 £000
The profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration:		
Fees payable to the Group's auditor for the audit of the Company's accounts	14	12
Fees payable to the Group's auditor and its associates for other services:		
— Audit of the accounts of subsidiaries	90	95
— Taxation compliance services	112	124
— Taxation advisory services	37	43
— Other non-assurance services	203	214
— Audit of the Howard de Walden Estates Limited Retirement Benefit Scheme	8	8
Depreciation (note 13)	167	225
Operating leases (investment properties)	162	172

9. Directors and employees

	2018 £000	2017 £000
Including directors:		
Salaries	10,670	10,285
Social security	1,545	1,471
Pension costs	1,660	1,556
	13,875	13,312

The average weekly number of persons employed by the Group in the UK during the year was 134 (2017: 135).

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

Directors' emoluments

Remuneration in respect of directors was as follows:

	2018 £000	2017 £000
Aggregate emoluments	2,865	3,262
Pension contributions	183	359
	3,048	3,621

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 2018 of £825,000 (2017: £889,000) and a pension allowance of £76,000 (2017: £147,000).

At 31 March 2018 there was one (2017: one) director accruing benefits under the Group Personal Pension Plan.

The Company did not employ any members of staff during the year (2017: nil). All directors are remunerated through a subsidiary company, Howard de Walden Estates Limited.

Notes to the Accounts

for the year ended 31 March 2018

10. Taxation

(A) Taxation on profit on ordinary activities

The tax charge is made up as follows:

	2018 £000	2018 £000	2017 £000	2017 £000
Current tax:				
— UK Corporation tax		15,318		10,981
— Adjustments in respect of previous years		(488)		(468)
Total current tax charge for the year		14,830		10,513
Deferred tax:				
— Origination and reversal of timing differences	(1,078)		214	
— On transition adjustments on financial instruments	85		111	
— On revaluation of investment properties	17,754		(3,647)	
Total deferred tax charge/(credit) for the year		16,761		(3,322)
Tax charge on profit on ordinary activities		31,591		7,191

(B) Taxation included in Other Comprehensive Income

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

	2018 £000	2017 £000
Deferred tax:		
— Actuarial gain/(loss) on pension scheme	440	(1,244)
Total deferred tax charge/(credit) for the year	440	(1,244)

(C) Factors affecting tax charge for the year

The tax charge for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	212,761	253,090
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	40,425	50,618
Effects of:		
Change in tax rates	(2,085)	(37,690)
Indexation deductible for tax purposes	(5,260)	(4,369)
Capital allowances in excess of depreciation	(1,121)	(1,080)
Expenses not deductible for tax purposes	170	183
Adjustments to tax charge in respect of previous years	(488)	(468)
Other permanent differences	(50)	(3)
Total tax charge for the year	31,591	7,191

Notes to the Accounts

for the year ended 31 March 2018

10. Taxation continued

(D) Deferred taxation

	2018	2017
	£000	£000
Included in provision for liabilities and charges	(598,800)	(581,599)
The liability for deferred tax comprises the following:		
— Decelerated capital allowances	1,306	193
— On investment properties	(602,484)	(584,730)
— Pension costs	1,829	2,304
— Transition adjustments on financial instruments	549	634
	(598,800)	(581,599)

The movements in the deferred tax provision have been charged to Total Comprehensive Income as follows:

	2018	2018	2017	2017
	£000	£000	£000	£000
At 1 April		(581,599)		(586,157)
Profit and loss	(16,761)		3,322	
Other Comprehensive Income	(440)		1,244	
	(17,201)		4,566	
Acquisition of a subsidiary	—		(8)	
		(17,201)		4,558
At 31 March		(598,800)		(581,599)

(E) Factors that may affect future tax charges

The UK corporation tax rate was 19% for the year ended 31 March 2018. The rate will remain at 19% until it reduces to 17% from April 2020. As at 31 March 2018, the reduction to 17% has been substantively enacted and hence in accordance with Accounting Standards, the impact of this reduction has been reflected in the Group's financial statements as at the year end.

Notes to the Accounts

for the year ended 31 March 2018

11. Dividends

	2018 £000	2017 £000
<i>Ordinary shares</i>		
£6.19 per share paid on 7 April 2017 (2017: £2.06 per share paid on 1 April 2016)	16,465	5,489
Nil paid in the year (2017: £7.14 per share paid on 1 April 2016)	–	19,000
£3.09 per share paid on 3 October 2017 (2017: £1.03 per share paid on 23 September 2016)	8,233	2,744
£3.09 per share paid on 8 December 2017 (2017: £1.03 per share paid on 9 December 2016)	8,233	2,744
	32,931	29,977
<i>'A' Shares</i>		
Nil paid in the year (2017: Nil paid in the year)	–	–
	32,931	29,977

At the year end, dividends of £17,289,000 on ordinary shares had been proposed and were paid on 9 April 2018. Those dividends are not included in these accounts.

Notes to the Accounts

for the year ended 31 March 2018

12. Investment properties (Group)

	Freehold £000	Leasehold £000	Total £000
Valuation			
At 1 April 2017	4,200,891	35,734	4,236,625
Additions	70,088	98	70,186
Disposals	(17,597)	(1,552)	(19,149)
Revaluation	140,526	(991)	139,535
At 31 March 2018	4,393,908	33,289	4,427,197
Net book value At 31 March 2018	4,393,908	33,289	4,427,197
At 31 March 2017	4,200,891	35,734	4,236,625

The historical cost of investment properties for the Group at 31 March 2018 was £847,529,000 (2017: £779,625,000).

The valuation of investment properties at 31 March 2018 and 31 March 2017 was jointly undertaken by the Group's Property Director and Property Investment and 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 psf	£1,500.00–£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) Vacant possession value.

Investment property rental income earned during the year was £127,530,000 (2017: £117,796,000) (note 5).

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

Notes to the Accounts

for the year ended 31 March 2018

13. Tangible fixed assets (Group)

	Land and buildings £000	Equipment and motor vehicles £000	Total £000
Cost			
At 1 April 2017	425	1,235	1,660
Additions	153	87	240
Disposals	–	(81)	(81)
At 31 March 2018	578	1,241	1,819
Depreciation			
At 1 April 2017	–	819	819
Charge for the year	–	167	167
Eliminated on disposal	–	(46)	(46)
At 31 March 2018	–	940	940
Net book value			
At 31 March 2018	578	301	879
At 31 March 2017	425	416	841

The Group's office building is included in land and buildings and is held at historical cost. The directors consider the fair value to be £25,776,000 (2017: £19,543,000) 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 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 building is approximately £4,152,000 (2017: £3,125,000).

Notes to the Accounts

for the year ended 31 March 2018

14. Fixed asset investments (Company)

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At 1 April 2017	1,336	160,784	162,120
Net payments	–	19,100	19,100
At 31 March 2018	1,336	179,884	181,220

Interests in subsidiaries

The Company holds 100% of the shares and voting rights of Howard de Walden Estates Limited which directly and indirectly holds all of the other interests in the subsidiary companies. During the year, Howard de Walden Estates Limited disposed of its interest in Stars and Sunshine Limited (previously Howard de Walden Triangle Limited), Dudley House (Management) Limited and Marylebone Taverns 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%
Portland Industrial Dwelling Company Limited	Property investment	100%
18 Marylebone Mews Limited	Property investment	100%
Howard de Walden Telecommunications Limited* ¹	Property investment	100%
Marylebone Village Limited* ¹	Property investment	100%
Runnymede Limited	Property letting	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 of each subsidiary is 23 Queen Anne Street, London, W1G 9DL.

Notes to the Accounts

for the year ended 31 March 2018

15. Debtors

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Due within one year:				
Trade debtors	9,033	6,157	–	–
Other debtors	1,890	364	–	–
Prepayments and accrued income	13,193	8,475	–	–
Capitalised arrangement fees	236	341	–	–
	24,352	15,337	–	–
Due after more than one year:				
Other debtors	1,178	263	–	–
	25,530	15,600	–	–

16. Creditors

Amounts falling due within one year:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade creditors	4,014	4,579	–	–
Other creditors	552	787	–	–
Corporation tax	8,080	6,551	246	308
Other taxation and social security	879	2,205	–	–
Accruals and deferred income	77,924	60,155	23	21
Derivative financial instruments (note 24)	6	115	–	–
	91,455	74,392	269	329

17. Creditors

Amounts falling due after more than one year:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank loans and other borrowings (note 18)	467,572	494,228	–	–
Accruals and deferred income	410	371	–	–
	467,982	494,599	–	–

Notes to the Accounts

for the year ended 31 March 2018

18. Analysis of borrowings (Group)

	2018 £000	2018 £000	2017 £000	2017 £000
Unsecured loan notes (A):				
Issued 25 August 2010				
\$25m loan notes expiring 16 July 2022 – 4.99%	17,771		19,996	
\$86m loan notes expiring 16 July 2025 – 5.23%	61,089		68,744	
£25m loan notes expiring 16 July 2030 – 5.61%	24,922		24,916	
		103,782		113,656
Issued 16 September 2011				
\$52m loan notes expiring 16 September 2021 – 4.32%	36,973		41,602	
\$64m loan notes expiring 18 September 2023 – 4.46%	45,484		51,181	
\$73m loan notes expiring 16 September 2026 – 4.66%	51,844		58,341	
£30m loan notes expiring 16 September 2021 – 4.52%	29,972		29,964	
		164,273		181,088
Issued 9 October 2014				
£20m loan notes expiring 16 October 2024 – 3.43%	19,981		19,979	
£40m loan notes expiring 16 October 2029 – 3.58%	39,935		39,929	
£40m loan notes expiring 16 October 2034 – 3.79%	39,906		39,900	
		99,822		99,808
Issued 14 September 2016				
£40m loan notes expiring 14 September 2031 – 2.54%	39,900		39,893	
£60m loan notes expiring 14 September 2036 – 2.74%	59,795		59,783	
		99,695		99,676
Total unsecured borrowings		467,572		494,228
Borrowings are repayable as follows:				
			2018 £000	2017 £000
Instalments due:				
Within one year			–	–
Two to five years			84,716	71,566
Greater than five years			382,856	422,662
			467,572	494,228

Notes to the Accounts

for the year ended 31 March 2018

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%.

The unsecured loan notes totalling \$300 million are retranslated at the rate prevailing at the reporting date. Arrangement fees are capitalised and amortised up to the expiration of the loan notes.

The Group's borrowings are made up of:

	2018 £000	2017 £000
Drawn debt in a mixture of US Dollars and pounds sterling at forward contracted rates	447,100	447,100
Foreign currency exchange adjustments on the US Dollar debt	21,377	48,130
Capitalised arrangements fees	(905)	(1,002)
	467,572	494,228

(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 2018 the Group also had committed but undrawn credit facilities of £100,000,000 (2017: £100,000,000) under a revolving credit facility which expires in July 2020. The margin payable is dependent on the level of utilisation with non-utilisation fees of 0.46%. The minimum margin payable on this facility is 1.15% with the highest margin payable 1.50%. Arrangement fees are amortised over the term of the facility and are included within prepayments at the year end.

Notes to the Accounts

for the year ended 31 March 2018

19. Called up share capital (Group and Company)

	2018 £000	2017 £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.

Notes to the Accounts

for the year ended 31 March 2018

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

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

	2018	2017
	£000	£000
Profit for the year	181,170	245,899
Adjustments to reconcile operating profit to net cash flow from operating activities:		
Gain on revaluation of investment properties	(139,535)	(186,701)
Depreciation of tangible fixed assets	167	225
Loss on disposal of tangible fixed assets	5	–
Profit on sale of investment properties	(3,604)	(8,672)
Difference between pension charge and cash contributions	(505)	(897)
Interest receivable and similar income	(231)	(80)
Interest payable and similar charges	17,001	16,247
Fair value loss/(gain) on derivative financial instruments	32,464	(21,409)
(Gain)/loss on foreign currency exchange	(26,753)	31,433
(Increase)/decrease in debtors	(10,010)	1,663
Increase/(decrease) in creditors	2,178	4,312
Tax on profit on ordinary activities	31,591	7,191
Cash generated from operations	83,938	89,211

(B) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2018	2017
	£000	£000
Cash at bank and in hand	67,951	80,656

Notes to the Accounts

for the year ended 31 March 2018

22. Pensions

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 2018 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

	2018 £000	2017 £000
Fair value of plan assets	33,961	41,719
Present value of scheme liabilities	(43,588)	(53,846)
Defined benefit pension liability	(9,627)	(12,127)

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

	2018 £000	2017 £000
Fair value of scheme assets at start of year	41,719	39,276
Interest income	1,013	1,378
Actuarial (losses)/gains	(341)	5,134
Contributions by the Group	1,237	1,382
Benefits paid and expenses	(9,667)	(5,451)
Fair value of scheme assets at end of year	33,961	41,719

The actual return on the scheme assets over the year ending 31 March 2018 was a gain of £672,000 (2017: gain of £6,512,000).

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

	2018 £000	2017 £000
Scheme liabilities at start of year	53,846	45,539
Current service cost	732	485
Interest expense	1,334	1,593
Actuarial (gains)/losses	(2,657)	11,680
Benefits paid and expenses	(9,667)	(5,451)
Scheme liabilities at end of year	43,588	53,846

Total expense recognised in the Statement of Comprehensive Income

	2018 £000	2017 £000
Current service cost	732	485
Net interest cost	321	215
	1,053	700

Notes to the Accounts

for the year ended 31 March 2018

22. Pensions continued

Total expense recognised in Other Comprehensive Income

	2018 £000	2017 £000
Gains/(losses) arising on:		
Return on plan assets – (loss)/gain	(341)	5,134
Experience gains arising on the plan liabilities	1,857	230
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – gain/(loss)	800	(11,910)
	2,316	(6,546)

Assets

	2018 £000	2017 £000
Equities	11,440	15,736
Bonds	17,110	19,560
Property	2,084	1,888
Cash/other	3,327	4,535
Total assets	33,961	41,719

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

	2018 % per annum	2017 % per annum
Discount rate	2.60	2.70
Inflation (RPI)	3.15	3.30
Salary growth	4.65	4.80
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.15	3.30
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.15	3.30
Allowance for commutation of pension for cash at retirement	No allowance	No allowance

The mortality assumptions adopted at 31 March 2018 imply the following life expectancies:

Male retiring age 62 in 2018	27.2
Female retiring age 62 in 2018	29.2
Male retiring age 62 in 2038	29.0
Female retiring age 62 in 2038	31.0

Group Personal Pension Plan

The Group makes contributions to a Group Personal Pension Plan. Contributions for the financial year were £549,000 (2017: £496,000).

Notes to the Accounts

for the year ended 31 March 2018

23. Financial instruments (Group)

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

Financial Assets

	2018 £000	2017 £000
Measured at fair value through profit or loss:		
— Derivative financial assets (note 24)	34,470	73,886
Measured at undiscounted amount receivable:		
— Cash at bank and in hand	67,951	80,656
— Trade debtors (note 15)	9,033	6,157
— Other debtors (note 15)	3,068	627
— Accrued income (note 15)	12,525	7,929
	127,047	169,255

Financial Liabilities

Measured at fair value through profit or loss:		
— Derivative financial liabilities (note 24)	28,157	35,109
Measured at amortised cost:		
— Long term loans (note 17)	467,572	494,228
Measured at undiscounted amount payable:		
— Trade creditors (note 16)	4,014	4,579
— Other creditors (note 16)	552	787
— Accruals (notes 16 & 17)	52,706	37,569
	553,001	572,272

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

Interest income and (expense)		
Total interest income for financial assets at amortised cost (note 6)	229	76
Total interest expense for financial liabilities at amortised cost (note 7)	(16,657)	(16,028)
	(16,428)	(15,952)
Interest income and (expense)		
On derivative financial assets measured at fair value through profit and loss	(39,416)	22,162
On derivative financial liabilities measured at fair value through profit and loss	6,952	(753)
	(32,464)	21,409

Notes to the Accounts

for the year ended 31 March 2018

24. Derivative financial instruments (Group)

	2018 £000	2017 £000
Due within one year:		
Liabilities		
Interest rate swaps (note 16)	6	115
Due after one year:		
Assets		
Interest rate swaps	2,030	3,191
Cross currency interest rate swaps	32,440	70,695
	34,470	73,886
Liabilities		
Interest rate swaps	28,151	34,994

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.

Notes to the Accountsfor the year ended 31 March 2018

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:	2018	2017
	£000	£000
Within one year	156	146
Between one and five years	428	484
More than five years	3,707	3,654
	4,291	4,284

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

Due:	2018	2017
	£000	£000
Within one year	103,945	95,619
Between one and five years	272,612	251,422
More than five years	1,167,502	1,103,805
	1,544,059	1,450,846

Notes to the Accounts

for the year ended 31 March 2018

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 of £19,857,000 (2017: £18,075,000) during the year.

During the year £201,000 (2017: £178,000) was paid by the Group in respect of costs incurred by the Howard de Walden Estates Limited Retirement Benefit 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 comprises the directors and information regarding their emoluments is set out below:

	2018	2017
	£000	£000
Directors emoluments (note 9)	3,048	3,621
Directors' national insurance contributions	399	476
	3,447	4,097

Five Year Summary

Based on the financial statements for the years ended 31 March

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Group Statement of Comprehensive Income					
Rental income*	127.5	117.8	107.5	98.1	89.8
Revenue profit before tax**	75.4	67.7	61.4	51.1	45.0
Group Statement of Financial Position					
Investment properties	4,427.2	4,236.6	3,944.5	3,675.8	3,220.4
Shareholders' funds	3,360.0	3,209.9	2,999.3	2,716.5	2,356.0
Gearing	11.3%	11.4%	10.6%	11.5%	12.2%

*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

Total borrowings at forward contracted rates, minus cash held, 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. Net finance costs being interest payable excluding finance charge relating to pensions, less interest receivable.

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.

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.

Passing rent

The annual rental income receivable on investment properties 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.

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 investments 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 the 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.

UK Corporate Governance Code

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

Yield

The anticipated income return from an investment property.

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NO SMOKING
This sign is for your protection

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