HOWARD DE WALDEN ESTATES HOLDINGS LIMITED

ANNUAL REPORT 2014

THE HOWARD de WALDEN ESTATE

Howard de Walden Estates Holdings Limited

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INTRODUCTION

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

MARYLEBONE AND THE HOWARD DE WALDEN ESTATE

Marylebone, with its rich history, beautiful architecture and central location, is a hugely attractive and accessible district of London. It is also unusually diverse, containing one of the capital's best loved shopping destinations, a large and highly active residential community, a thriving business sector and the UK's most renowned and prestigious medical destination.

Howard de Walden Estates Holdings Limited (the 'Company') and its subsidiaries (the 'Group') are the freehold owners of most of the buildings in 92 acres of Marylebone. The Group is beneficially owned by members of the Howard de Walden Family and has been under the family's stewardship since 1879. The Group is known as **The Howard de Walden Estate**

The Howard de Walden Estate owns, manages and leases the majority of properties across an area extending from Marylebone High Street in the west to Portland Place in the east and from Wigmore Street in the south to Marylebone Road in the north.

With its historical family connection to the area, the Estate is committed to maintaining the distinctive character and balance which makes Marylebone so unique. We actively encourage diversity and the preservation of the heritage of the neighbourhood whilst ensuring that the facilities on offer are kept completely up-to-date and relevant. The Estate's large and broad-ranging property portfolio includes office, medical, retail and residential accommodation, with each sector vitally important to Marylebone's appeal.


37 HARLEY ST
37 HARLEY ST

THE ESTATE IN NUMBERS

92

THE GROUP IS THE FREEHOLD OWNER OF MOST OF THE PROPERTIES WITHIN AN AREA COMPRISING APPROXIMATELY 92 ACRES

4

THE NUMBER OF MAJOR SECTORS BY USE: RESIDENTIAL, MEDICAL, OFFICE AND RETAIL

2,000

THERE ARE OVER 2,000 MEDICAL PRACTITIONERS WORKING WITHIN THE AREA

850

THE GROUP IS THE FREEHOLD OWNER OF MORE THAN 850 PROPERTIES

135

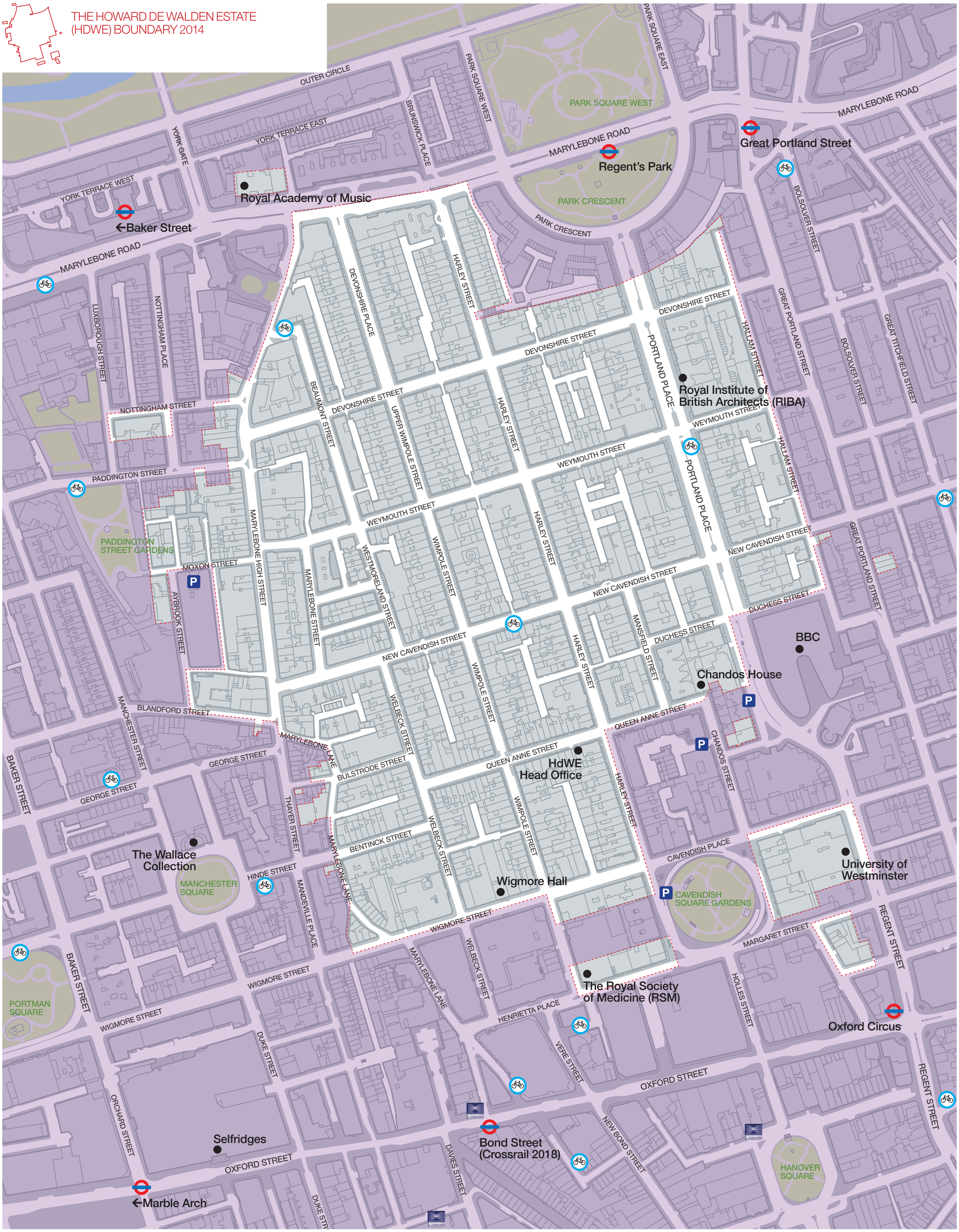
THE NUMBER OF YEARS OF CONTINUOUS OWNERSHIP BY THE HOWARD DE WALDEN FAMILY

25,000

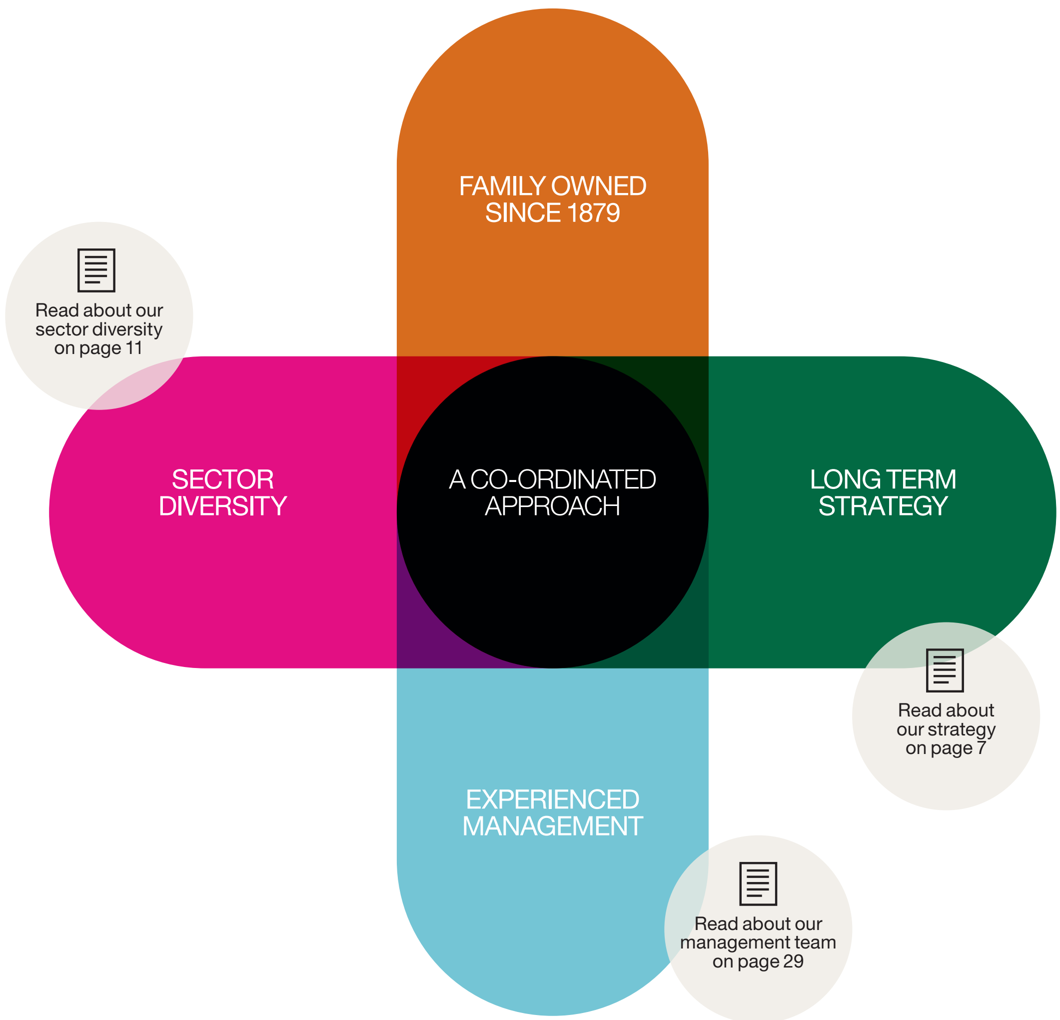
NUMBER OF VISITORS TO MARYLEBONE SUMMER FAYRE

2,200

THERE ARE IN EXCESS OF 2,200 DIRECT TENANTS MANAGED BY THE HOWARD DE WALDEN ESTATE

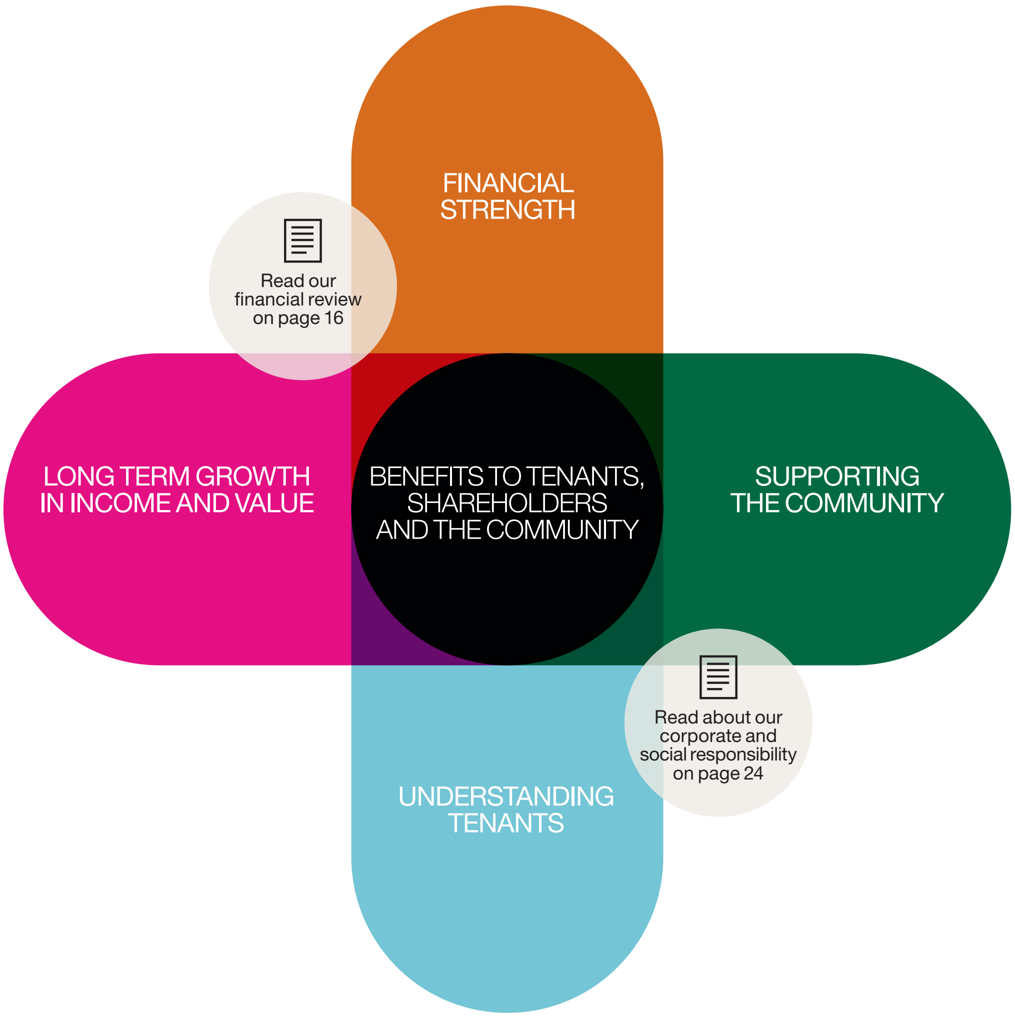

THE HOWARD DE WALDEN ESTATE (HDWE) BOUNDARY 2014
OUTER CIRCLE
YORK TERRACE EAST
YORK TERRACE WEST
YORK GATE
BRUNSWICK PLACE
PARK SQUARE WEST
PARK SQUARE EAST
PARK SQUARE WEST
MARYLEBONE ROAD
Great Portland Street
Regent's Park
PARK CRESCENT
PARK CRESCENT
Royal Academy of Music
←Baker Street
MARYLEBONE ROAD
DEVONSHIRE PLACE
HARLEY STREET
DEVONSHIRE STREET
DEVONSHIRE STREET
BOLSOVER STREET
GREAT PORTLAND STREET
HALLAM STREET
PORTLAND PLACE
BOLSOVER STREET
GREAT TITCHFIELD STREET
LUXBOROUGH STREET
NOTTINGHAM PLACE
NOTTINGHAM STREET
BEAUMONT STREET
DEVONSHIRE STREET
UPPER WIMPOLE STREET
HARLEY STREET
Royal Institute of British Architects (RIBA)
WEYMOUTH STREET
WEYMOUTH STREET
HALLAM STREET
PORTLAND PLACE
PADDINGTON STREET
WEYMOUTH STREET
PADDINGTON STREET GARDENS
MARYLEBONE HIGH STREET
WESTMORELAND STREET
WIMPOLE STREET
HARLEY STREET
NEW CAVENDISH STREET
GREAT PORTLAND STREET
MOXON STREET
AYBROOK STREET
MARYLEBONE STREET
NEW CAVENDISH STREET
DUCHESS STREET
MANSFIELD STREET
DUCHESS STREET
BBC
NEW CAVENDISH STREET
HARLEY STREET
Chandos House
WIMPOLE STREET
WELBECK STREET
BLANDFORD STREET
MANCHESTER STREET
MARYLEBONE LANE
QUEEN ANNE STREET
CHANDOS STREET
GEORGE STREET
BULSTRODE STREET
QUEEN ANNE STREET
HdWE Head Office
BAKER STREET
GEORGE STREET
THAYER STREET
HARLEY STREET
WELBECK STREET
WIMPOLE STREET
BENTINCK STREET
CAVENDISH PLACE
The Wallace Collection
MANCHESTER SQUARE
HINDE STREET
MARYLEBONE LANE
MANDEVILLE PLACE
Wigmore Hall
University of Westminster
CAVENDISH SQUARE GARDENS
WIGMORE STREET
MARGARET STREET
REGENT STREET
BAKER STREET
WIGMORE STREET
MARYLEBONE LANE
WELBECK STREET
The Royal Society of Medicine (RSM)
HOLLES STREET
PORTMAN SQUARE
WIGMORE STREET
HENRIETTA PLACE
Oxford Circus
DUKE STREET
VERE STREET
OXFORD STREET
REGENT STREET
ORCHARD STREET
NEW BOND STREET
Selfridges
Bond Street (Crossrail 2018)
OXFORD STREET
DAVIES STREET
HANOVER SQUARE
←Marble Arch
DUKE STR

BUSINESS MODEL



Business model
After 135 years of continuous ownership, the Group's family shareholders take a long term view of their investment. As a result, the Group works hard to maintain the heritage, diversity and attractiveness of its land holding in Marylebone through a co-ordinated approach to estate management which requires the oversight of a highly experienced management team. One of the defining characteristics of the Group's long term strategy is its desire to balance the mix of property uses across the Estate's four core sectors: residential, medical, office and retail. Similarly fundamental is its commitment to constantly improving the quality of the buildings under the Group's ownership in order to meet the requirements of discerning tenants long into the future. By seeking to provide high quality accommodation, the Group aims to ensure that suitable tenants are drawn to Marylebone's offices, shops and residential properties, and that the Harley Street Medical Area is able to attract medical practitioners who can enhance its worldwide reputation for excellence.

STRATEGIC OBJECTIVES



Long term growth in rental income and property values

- Ongoing programme to refurbish and modernise, in order to maintain and improve the quality of our properties
- Redevelopment of buildings that are at risk of becoming obsolete
- Selective acquisition of properties on which income or value can be unlocked through our adjacent ownership
- An active and experienced management team able to optimise income
- Lease restructuring to enhance income and capital opportunities

Understanding and meeting our tenants' requirements

- Sympathetic redevelopment of historic buildings
- Mix of traditional and contemporary accommodation
- Provision of modern functional office space
- Addressing the specialist requirements of hospitals and medical practitioners
- Provision of quality modern living space within period dwellings
- Provision of suitable stores to attract specialist retailers

Supporting the local community

- Hosting and organising the Marylebone Summer Fayre and Christmas Lights
- Public realm improvement works
- Community retail stores
- Financial support for the documentation of Marylebone's heritage
- Interaction with local associations
- Donations to local charities and organisations

Financial strength

- Substantial prime central London asset base
- Conservative level of borrowing with low reliance on external funding
- Consistent long term rental, income and dividend growth

KEY PERFORMANCE INDICATORS

Key performance indicators (KPIs)
KPIs are measures used by the Group to ensure that our business model is effective and our strategic objectives are met.
They are important in measuring long-term growth in income and capital and are compared against relevant external and internal benchmarks.

KEY PERFORMANCE INDICATORS CONTINUED

£89.8m

RENTAL INCOME INCREASED BY 7.5%

£45.0m

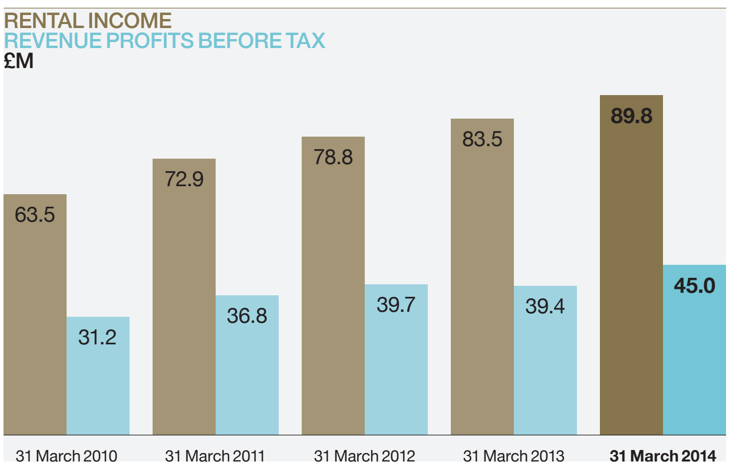
REVENUE PROFITS INCREASED BY 14.2%

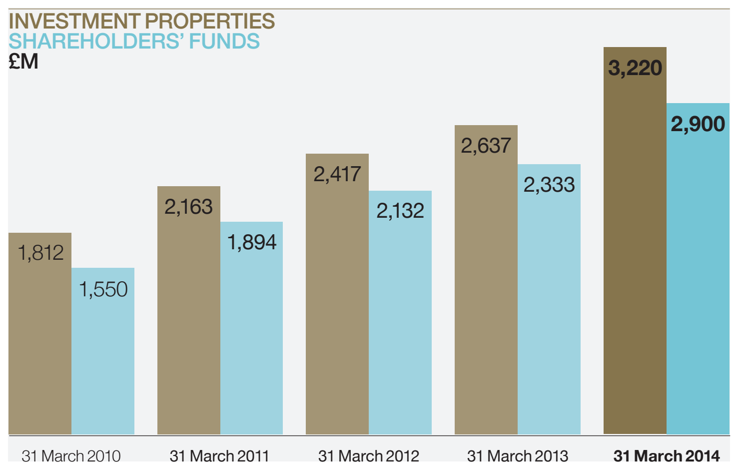
£3,220m

INVESTMENT PROPERTIES INCREASED BY 22.1%

£2,900m

SHAREHOLDERS' FUNDS INCREASED BY 24.3%





Rental income and revenue profits before tax

Why we measure

Rental income comprises 99% of the Group's turnover and is the largest factor in determining profitability. Growth in rental income underpins long-term capital values.

Revenue profits before tax measure the recurring profit performance. This measure excludes profits and losses from the sale of investment properties, which fluctuate from year to year.

Performance:
In the year ended 31 March 2014

— Rental income increased 7.5%, from £83.5 million to £89.8 million
— Revenue profits increased 14.2%, from £39.4 million to £45.0 million

For years ended 31 March 2010 to 31 March 2014

— Rental income increased 41.4%, from £63.5 million to £89.8 million
— Revenue profits increased 44.2%, from £31.2 million to £45.0 million
— Rental income and revenue profits grew at compound annual rates of 9.0% and 9.6% respectively

Investment properties and shareholders' funds

Why we measure

Investment properties represent the Group's most significant assets by value. The value of the Group's properties is calculated from market based yield assumptions and rent. Revaluation of the Group's assets allows comparative analysis with property performance indices and other property companies.

Shareholders' funds represent the value of the shareholders' investment in the Group.

Performance:
In the year ended 31 March 2014

— Investment properties increased 22.1%, from £2,637 million to £3,220 million
— Shareholders' funds increased 24.3% from £2,333 million to £2,900 million

For years ended 31 March 2010 to 31 March 2014

— The value of the Group's investment properties increased by £1,408 million, an increase of 77.7%
— Shareholders' funds increased by £1,350 million, an increase of 87.1%
— Investment properties and shareholders' funds grew at compound annual rates of 15.5% and 16.9% respectively

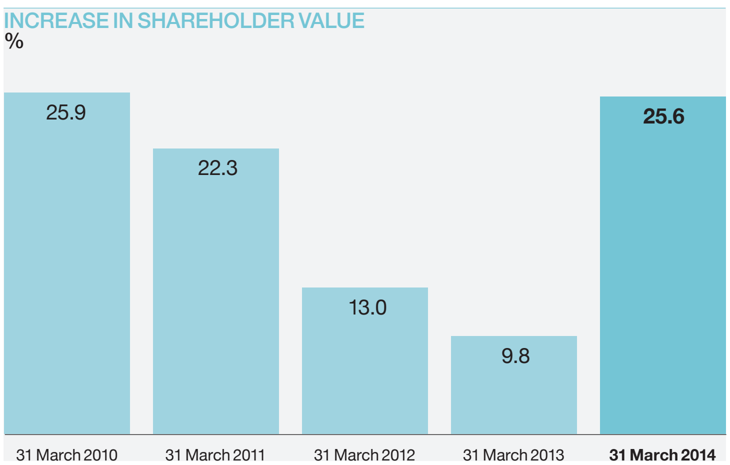
KEY PERFORMANCE INDICATORS CONTINUED

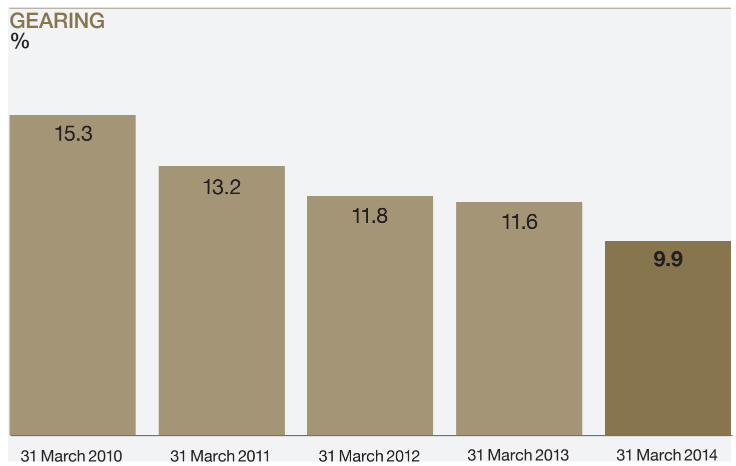
25.6%

SHAREHOLDER VALUE INCREASED BY 25.6%

9.9%

GEARING WAS 9.9%





Increase in shareholder value
Why we measure
Increase in shareholder value measures the Group's ability to generate a net asset increase and an income return for its shareholders. Increase in shareholder value is defined as the increase in net assets, plus dividends paid during the year, expressed as a percentage of opening shareholders funds. Performance over the long term is a key consideration for shareholders.

Performance:
In the year ended 31 March 2014
—Shareholder value increased by 25.6%

For years ended 31 March 2010 to 31 March 2014
—The increase in shareholder value averaged 19.3%

Gearing
Why we measure
Gearing is the proportion of the Group's net assets which are funded by net borrowings. Financial strength is maintained by having a gearing level of less than 25%.

Performance:
As at 31 March 2014
—Gearing was 9.9%

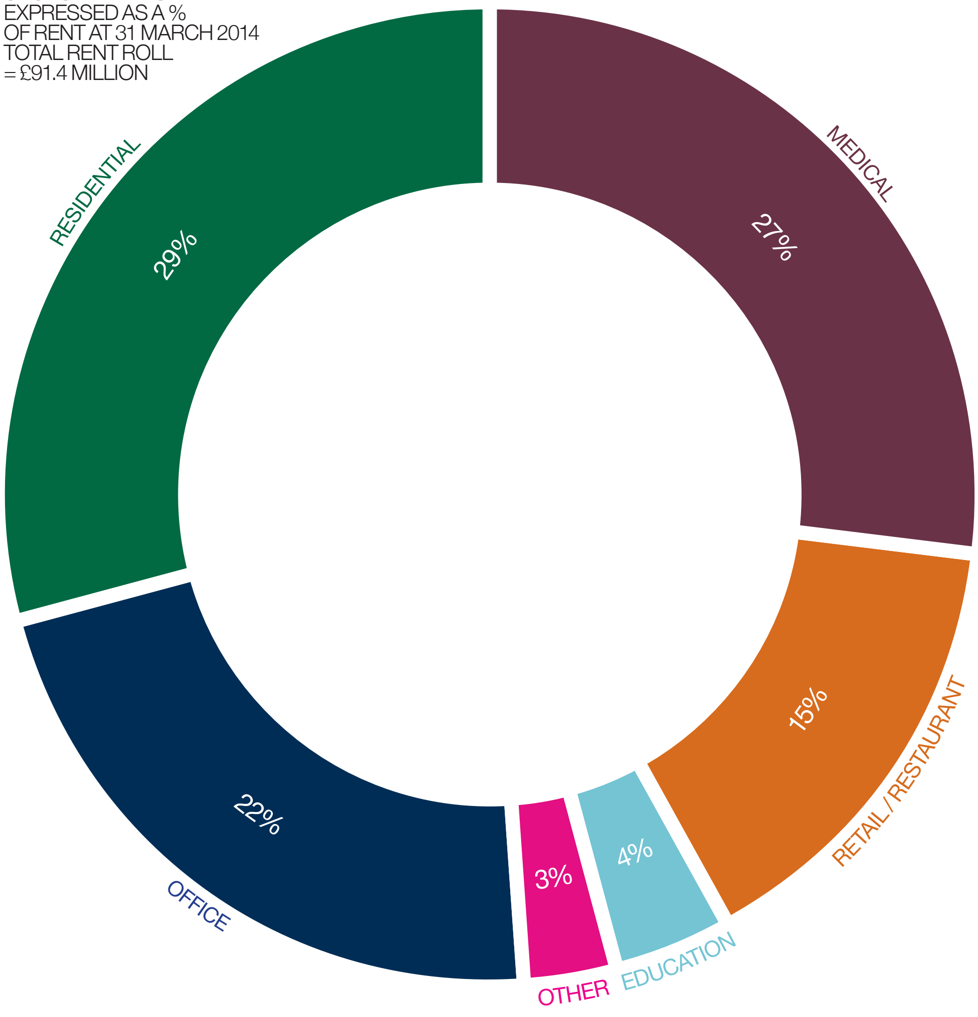
For years ended 31 March 2010 to 31 March 2014
—Gearing averaged 12.4%

KEY PERFORMANCE INDICATORS CONTINUED

£91.4m

TOTAL RENT ROLL £91.4 MILLION

SECTOR DIVERSITY
EXPRESSED AS A %
OF RENT AT 31 MARCH 2014
TOTAL RENT ROLL
= £91.4 MILLION



Sector diversity
Why we measure
The Group has four major tenant types by sector: residential, medical, office and retail. It is especially important for the Estate to have a diversified portfolio of uses in view of its strong geographic concentration. Sector diversity is achieved by having no dominant use category.

Performance:
At 31 March 2014
— There was a good spread of uses with residential the largest category by rental income at 29%
— The smallest of the four major categories by rental income value was retail/restaurant at 15%

CHAIRMAN'S STATEMENT

The Howard de Walden Estate is firmly embedded into the Marylebone community

Peter Barton

I am delighted to report a strong performance by the Group for the financial year ended 31 March 2014. Profit before tax increased by 6.4% to £48.1 million and shareholders' funds increased by 24.3% to £2,900 million. We are fortunate that our entire estate is located in Central London, which has experienced rapid economic growth and investment for several years. Our property assets increased in value by 22.1% to £3,220 million, an exceptional capital increase for a 12 month period. Whilst annual revaluations are greatly influenced by short term factors, long term capital growth is correlated with sustainable rental growth. The Howard de Walden Estate, under stable family ownership, is reaping the reward of its continuous programme of focussed investment to improve its properties during good times and bad. At the same time our experienced management team aims for continuing income growth and broad diversification of tenant occupation across our main sectors of residential, medical, office and retail.

We have embarked upon the largest refurbishment and enhancement programme we have ever undertaken and I am pleased to report that we have made significant progress with some of these projects completed during the year, including 20 Bentinck Street, which provides 34,000 sq ft of modern office space and is already two thirds let, with the remainder under offer.

London continues to attract people and capital from all over the world and has benefitted enormously from international investment in recent years, particularly in the West End, with Marylebone well placed to take advantage. A significant point of difference for our Estate is the ownership of most of the buildings in and around Harley Street which form a unique medical cluster. The Group seeks to expand the provision of world class medical services on the Estate. This requires an understanding of tenant demand and delivering buildings to the requirements of modern medical specialisation. Last year we were delighted that Isokinetic, an internationally recognised leader in sports injury rehabilitation, chose to take space at 11 Harley Street, its first venture outside Italy.

Whilst we can play our part in the provision of the buildings to improve the medical offering, there is more that could be done to provide a world class medical hub in London. This will require engagement by all stakeholders and coordination at a national and local government level. The investment and economic benefits the world's best medical hubs have brought to Massachusetts, Singapore, Kuala Lumpur and Dubai are significant. London's existing worldwide appeal and enviable history in medicine and surgery give it a significant start on other cities or centres with similar aspirations.

Our retail offering on Marylebone High Street differentiates itself from the shopping experience found elsewhere and we continue to look out for new and exciting formats to enhance its appeal even further. Marylebone Village has become synonymous with attractive lifestyle and the success of our residential lettings is intrinsically linked to its ongoing vibrancy.

As we continue to make progress with our investment programme, I am optimistic that our plan to deliver in excess of 150,000 sq ft of additional office space in the supply constrained West End of London will grow our income and profits in the years ahead.

£230 million of expenditure is planned over the next five years

There is strong ongoing demand from tenants for all our properties

ASPINAL OF LONDON – RETAIL

HARLEY STREET – MEDICAL

Our retail offering on Marylebone High Street differentiates itself from the shopping experience found elsewhere and we continue to look out for new and exciting formats to enhance its appeal even further

DAUNT BOOKS – RETAIL

This clearly depends on the continuing success of London as a place to transact business and whilst residential values in the capital begin to look stretched, we continue to experience strong ongoing demand from tenants for all our properties.

The Howard de Walden Estate is firmly embedded into the Marylebone community and recognises a responsibility to its residents. We support a number of local charitable and public institutions and the wider community.

As described more fully in the Chief Executive's report, the Group recently agreed a further private placement financing transaction on very favourable terms with existing institutional investors. The funding will complete in October and further strengthens our financial position. This will support our ambitious investment programme with £230 million of expenditure planned over the next five years.

As Chairman, I am very grateful to my board colleagues, including our supportive shareholder directors, our distinguished and helpful professional non-executive directors and, in particular, our able and hardworking executive directors and staff. I thank them all for the contributions they have made in achieving the excellent performance of the business over the last 12 months.

Peter Barton
Chairman

23 September 2014

ONE OF THE ESTATE’S LARGEST AND MOST IMPRESSIVE OFFICE BUILDINGS, PROVIDING EXTENSIVE MODERN FACILITIES BEHIND AN ELEGANT EDWARDIAN FACADE

20 BENTINCK STREET

20 Bentinck Street was redeveloped from six individual buildings into one extensive modern office fronted by an elegant and highly-prized Edwardian façade. The building's 34,000 sq ft space is set across six floors, which all offer spacious and versatile accommodation. The development achieved a BREEAM rating of 'Excellent'.

CHIEF EXECUTIVE'S REPORT

Toby Shannon

FINANCIAL HIGHLIGHTS

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m	Change £m	Change %
Investment properties	**3,220.4**	2,637.3	583.1	**22.1**
Shareholders' funds	**2,900.1**	2,333.1	567.0	**24.3**
Turnover	**90.9**	84.6	6.3	**7.4**
Rental income	**89.8**	83.5	6.3	**7.5**
Profits before tax	**48.1**	45.2	2.9	**6.4**
Revenue profits before tax	**45.0**	39.4	5.6	**14.2**

Valuation
At 31 March 2014 the value of the Group's investment properties had risen to £3,220 million, representing growth of 22.1%. The last 12 months continued to bring much needed economic recovery across the UK with London leading the way in commercial and residential property. This year's valuation represents an increase of 21.2% on a like-for-like basis when acquisitions and disposals made during the year are excluded. The capital return of the IPD UK All Property Index for the year to 31 March 2014 was 6.9%, with 16.0% growth for the IPD Central London Offices Index. Land Registry Data showed that house prices in England and Wales recorded an increase of 5.1%, with prices in the London region increasing 12.1% and in the City of Westminster, where our residential units are located, up by 15.8%.

There were a number of factors behind this year's revaluation improvement. We have experienced strong rental growth on all our commercial properties during the year to 31 March 2014. Office rents increased by 10% to 15%, medical increased by up to 10% and retail rents were up to 25% higher. At the same time there has been further yield compression of 0.50%-0.60% on the Group's best commercial properties, continuing the trend experienced since 2010. Together this combination of higher rents and lower yields has resulted in substantial capital growth across the commercial portfolio in the year. The residential part of our portfolio has also experienced strong growth. The rise in prime central London residential values in the year to 31 March 2014 has been well documented and Marylebone has performed particularly well.

CHIEF EXECUTIVE'S REPORT CONTINUED

↑22.1%

AT 31 MARCH 2014 THE **VALUE OF THE GROUP'S INVESTMENT PROPERTIES** HAD RISEN TO £3,220 MILLION, REPRESENTING VALUATION GROWTH OF 22.1%

↑£6.3m

AT 31 MARCH 2014 THE **GROUP'S RENT ROLL** TOTALLED £91.4 MILLION, £6.3 MILLION HIGHER THAN A YEAR EARLIER

OPERATIONAL PERFORMANCE

Category	Rent Roll at 31 March 2014 £m	Rent Roll at 31 March 2013 £m	Change in Rent Roll £m
Residential	**26.1**	24.3	1.8
Medical	**25.0**	22.6	2.4
Office	**20.0**	19.8	0.2
Retail	**13.4**	12.1	1.3
Educational	**4.2**	3.7	0.5
Other	**2.7**	2.6	0.1
Total	**91.4**	85.1	6.3

In addition, our total stock of residential units to let increased by 8% to 830 units, as additional units became available to let or underwent refurbishment or were consented through the planning process. This combination of higher capital values and more units has led to a strong increase in the capital value of our residential portfolio.

Operational performance

At 31 March 2014 the Group's rent roll totalled £91.4 million, £6.3 million higher than a year earlier. The Group is committed to sector diversity and achieved increases in rental income across all its major use categories.

The largest increase, totalling £2.4 million, was in medical rents, primarily achieved on properties let after refurbishment. Residential rents advanced £1.8 million due to additional units becoming available rather than through rental growth, which showed only a modest increase. Retail rents grew by £1.3 million, due to favourable increases on review and a significant contribution from 93/94 Marylebone High Street, where a large single retail unit was reconfigured into four smaller units resulting in an improved retail offering at the key intersection with Moxon Street. Office rental growth was more modest at £0.2 million and reflects decreases in income as we obtained vacant possession to enable refurbishments and redevelopments to start. This is central to our office strategy to deliver enhancements through modernisation with floor plates better configured for 21st century requirements. Finally, in recent years the Estate has striven to improve its educational offering and this has resulted in increases in rent roll of £0.5 million.

With our residential units we consistently seek to improve the quality of our stock through ongoing refurbishment and we operate an efficient lettings process in order to minimise voids. Managing vacancies arising from the refurbishment of our commercial portfolio can be more challenging given the larger size of these buildings. We do try to avoid, however, a bunching of completed projects to ensure a phased marketing programme. Our vacancy rate is extremely low across the entire portfolio. At 31 March 2014 less than 3% of our available properties were unlet, with the total falling below 2% after deducting transactions under offer, which completed after the year end.

Investment

Each year the Estate undertakes more than 100 different refurbishment and

CHIEF EXECUTIVE'S REPORT CONTINUED

↑7.4%

TURNOVER INCREASED BY 7.4% TO £90.9 MILLION, MOSTLY COMPRISING RENTAL INCOME WHICH INCREASED BY 7.5% TO £89.8 MILLION

> Each year the Estate undertakes more than 100 different refurbishment and development projects, ranging from simple flat redecorations to large scale commercial redevelopments

development projects, ranging from simple flat redecorations to large scale commercial redevelopments. During the year we completed the redevelopment of 20 Bentinck Street to provide 34,000 sq ft of brand new office space. Approximately ⅔ of the building has been successfully let and the remaining ⅓ is under offer and in solicitors' hands, all at rents well in excess of our appraisal figures. We also received planning permission to redevelop 64-66 Wigmore Street to create a new 54,900 sq ft Grade A office scheme. Demolition and piling on this project have now been completed and we are on course to complete this scheme by March 2016.

Linked to the planning consent on 64-66 Wigmore Street were nine other planning applications. Together these will deliver over 150,000 sq ft of additional commercial and other accommodation on the Estate, providing over £10 million of additional income. Due to a combination of factors; planning restrictions, conservation area status, the recent trend of conversion of offices to residential and the lack of speculative finance, the supply of good quality commercial space in the West End is severely restricted. This has led to significant growth in rental levels for office and medical buildings in the last few years. Our Estate has benefitted from this increase on recent lettings. We believe that completion of our investment programme will enable us to benefit further from a strong rental market.

Acquisitions and disposals

The main driver for the increase in the value of the Estate has been strong demand from both domestic and international investors for prime Central London properties, and in particular in the West End of London where all our assets are situated. The corollary of this substantial increase in value is that there has been intense competition to acquire properties on and around our Estate. We have been unwilling to push our offers beyond the level at which we are comfortable, and so have undertaken very few acquisitions in the year under review. Furthermore, we are generally able to achieve greater returns from refurbishing and redeveloping our existing properties than we can by competing to acquire properties in the open market.

Historically property values have been cyclical and we believe that in due course buying opportunities will become available at a more attractive point in the cycle.

Leasehold reform legislation means that we are required to grant longer leases or make freehold disposals on qualifying properties. During the year proceeds from such disposals amounted to £16.6 million, which is lower than the totals received during each of the previous three years. All such proceeds are reinvested when suitable acquisitions arise.

Financial review

Turnover increased by 7.4% to £90.9 million, mostly comprising rental income which increased by 7.5% to £89.8 million.

Total profits before tax were £48.1 million, an increase of £2.9 million and 6.4% higher than the previous year. The main contribution to the improved profitability was the £6.3 million increase in turnover combined with a £1.3 million reduction in property costs.

Total pre-tax profits vary from one year to the next depending on the level of capital profits arising from disposals.

CHIEF EXECUTIVE'S REPORT CONTINUED

9.9%

NET BORROWINGS TOTALLING ONLY 9.9% OF SHAREHOLDERS FUNDS

↑14.2%

REVENUE PROFITS INCREASED BY 14.2% FROM £39.4 MILLION TO £45.0 MILLION

↑24.3%

SHAREHOLDERS' FUNDS INCREASED 24.3%, FROM £2,333 MILLION TO £2,900 MILLION

20 BENTINCK STREET – OFFICE

93/94 MARYLEBONE HIGH STREET / MOXON STREET RECONFIGURATION – RETAIL

Accordingly, our key profit measure is revenue profit before tax. It is particularly encouraging to report that this increased by 14.2%, from £39.4 million to £45.0 million.

In line with the substantial increase in the value of the Group's investment properties, shareholders' funds increased 24.3%, from £2,333 million to £2,900 million. Including £31.2 million of dividends paid in the period, total shareholder value increased by 25.6%.

At 31 March 2014 the Group had net borrowings of £287.4 million, an increase of £17.9 million when compared with the previous year's total of £269.5 million. Net interest expense increased £1.5 million to £16.5 million.

Whilst no major financing activity occurred during the year we did take the opportunity of favourable market conditions in July, post the year end, to agree terms to issue an additional £100 million of loan notes to some of our existing private placement investors. The terms are agreed but subject to final documentation with funding to be received in October 2014. £20 million is to be drawn for 10 years, £40 million for 15 years and £40 million for 20 years, at a blended fixed rate of 3.63%. As this new borrowing will increase our debt at fixed rates of interest, the Group also entered into contracts to terminate £100 million of interest rate swaps which will result in a one off increase in interest expense in the current financial year ending 31 March 2015. This cost is an advancement of payments the Group is required to make on the swap contracts, and therefore interest expense in the subsequent years after cancellation, will now be lower.

Financial strength is necessary to fulfil our business objectives. This new

↑£3m

IN ADDITION TO OUR EXISTING STOCK OF APPROXIMATELY 750 RESIDENTIAL PROPERTIES WHICH ARE LET, **WE ARE ALSO CURRENTLY REFURBISHING APPROXIMATELY 80 UNITS** WHICH, WHEN COMPLETED WITHIN THE NEXT 18 MONTHS, SHOULD ADD OVER £3 MILLION TO OUR RENTAL INCOME

£230m

WE ARE INVESTING IN EXCESS OF £230 MILLION ON THE ESTATE OVER THE NEXT FIVE YEAR PERIOD – THE LARGEST INVESTMENT PROGRAMME WHICH WE HAVE EVER UNDERTAKEN

funding will partly repay existing borrowings and fund our investment programme. It also will increase financial capacity, reduce the cost of borrowing and extend the repayment profile of our debt. At 31 March 2014 all debt was unsecured with net borrowings totalling only 9.9% of shareholders' funds. This conservative gearing measure indicates a low reliance on borrowings.

Dividends

During the year the Group paid dividends of £31.2 million to shareholders.

Employees

The Group has a loyal, committed and experienced workforce, 39% of whom have been with the Estate for over 10 years. I am extremely grateful for their continuing support and for their outstanding contribution to the Estate.

Outlook

There is increasing evidence that the UK economy is the strongest it has been since the 2008 global financial crisis, with strong GDP growth achieved and forecast, low interest rates and falling unemployment. This, coupled with London's safe haven status, has helped fuel the exceptional increases in Central London property values. Whilst the UK looks set fair, with London in particular going from strength to strength, any exuberance must be balanced with caution in view of the global background of geo-political problems in the Middle East and Ukraine, continuing economic fragility in the Eurozone and domestic uncertainty following the Scottish Referendum and in the lead up to the General Election in May 2015.

Against this background, the underlying fundamentals for rental income growth look sound for the foreseeable future. Strong demand coupled with lack of supply should mean that commercial rental levels continue to rise in our office, medical and retail properties and with over 150,000 sq ft of newly refurbished/redeveloped accommodation coming to fruition on our Estate by 31 March 2016, this should add well over £10 million per annum to our rental income.

During the last two to three years as residential values have risen, we have experienced only modest growth in the rental levels as the demand to buy has greatly exceeded the demand to rent. House prices, however, are at record highs and there are now one or two indications that future capital growth may become more uncertain and that the current imbalance between owning and renting will even out, providing renewed impetus for rental growth in the sector. In addition to our existing stock of approximately 750 residential properties which are let, we are also currently refurbishing approximately 80 units which, when completed within the next 18 months, should add over £3 million to our rental income.

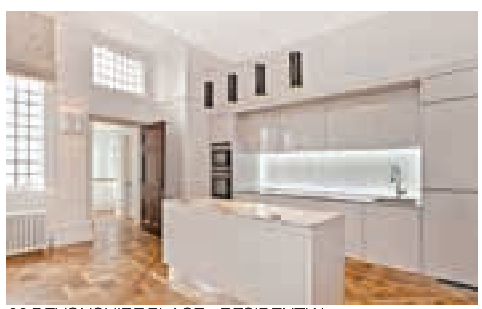
We are investing in excess of £230 million on the Estate over the five year period to 31 March 2019, the largest investment programme which we have ever undertaken. Much of this expenditure will be incurred on projects where we are currently on site and which are expected to be completed in the years ending 31March 2015 and 31 March 2016. Whilst this investment programme is in progress, those buildings are currently non income producing. This will inevitably mean that the increase in our rental income in the year to 31 March 2015 is likely to be more modest than we have enjoyed in recent years, but once completed,

> We remain committed to our policy of investing in our Estate with the aim of generating strong sustainable growth in rental income, which will in turn ensure capital growth over the long term
>
> ”

CHIEF EXECUTIVE'S REPORT CONTINUED

3 DEVONSHIRE MEWS NORTH – RESIDENTIAL

13-18 DEVONSHIRE STREET – MEDICAL



32 DEVONSHIRE PLACE – RESIDENTIAL

13-18 DEVONSHIRE STREET – MEDICAL

10% to 15%

INVESTMENT SHOULD ADD BETWEEN 10% AND 15% TO OUR RENT ROLL TAKING IT FROM THE YEAR END TOTAL OF £91.4 MILLION PER ANNUM TO WELL BEYOND £100 MILLION WITHIN THE NEXT FEW YEARS.

should add between 10% and 15% to our rent roll, taking it from the year end total of £91.4 million per annum to well beyond £100 million within the next few years.

The Central London property market has continued to strengthen in the six months since the year end, but whilst growth in rental levels should ensure that values continue to rise at least in the short term, it is becoming increasingly difficult to see how property yields could fall much below their current levels. History tells us that property values do not continue to rise uninterrupted and after such a significant and sustained increase in Central London property values over the last five years, it would be surprising if we did not see a slowdown in growth in values or a correction in due course, even if current sentiment and market forces might suggest otherwise.

Regardless of any short term fluctuations in value, we remain committed to our policy of investing in our Estate with the aim of generating strong sustainable growth in rental income, which will in turn ensure capital growth over the long term.

Approval

The Strategic Report, covering pages 6-27, was approved by the Board of Directors on 23 September 2014 and signed on its behalf by

Toby Shannon
Chief Executive

23 September 2014

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management structure

BOARD
OVERALL RESPONSIBILITY FOR RISK

AUDIT COMMITTEE
MONITORS AND REVIEWS
RISK CONTROLS

SENIOR MANAGEMENT TEAM
COMPILES THE RISK REGISTER
IDENTIFIES, ASSESSES AND
CONTROLS RISK

The successful 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 avoiding risk and the opportunity to gain from investment.

Risk management structure

The Board has overall responsibility for the Group's 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 the risk register. Risks are assessed based on their likelihood and their financial and reputational impact. The risk register is formally reviewed by senior management at management board meetings held in February and August. The register produced after the August review is presented to the Audit Committee for their consideration and recommendation for adoption by the Board.

The Group recognises that most risks cannot be eliminated, particularly at an acceptable cost, and inevitably there are some risks that the Board chooses to accept in order that the Group can achieve its objectives as a long-term investor in property in its chosen location.

The principal risks and uncertainties are those expected to have a significant or major 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 below. All risks, including these key risks and the management actions taken are documented in the risk register.

Strategic risks	The Group's strategy does not create long term growth in income and value
Risk	*Control or mitigation*
Events that damage or reduce the attractiveness of Central London	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 greater risk from acts that threaten public safety and security. As these events are outside the control of the Group, insurance cover is in place on a full reinstatement basis including 3 years' loss of rental income.
Failure to comply with environmental legislation	Compliance with environmental legislation is assessed prior to commencement of building 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.

Economic risks	Economic factors that threaten the Group's ability to meet its strategic objectives
Risk	*Control or mitigation*
Significant economic decline resulting in reduced demand for commercial and residential real estate	The Group's Central London location has shown a greater resilience to economic downturn, when contrasted with the UK nationally. In addition, the Group seeks to maintain a diversified portfolio with its properties in residential, medical, office and retail use, avoiding concentration risk from a decline in one dominant use category.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Financial risks	The Group becomes unable to finance its operations
Risk Restrictions in funding	*Control or mitigation* The Group mostly funds its expenditure from the cash generated from its activities with a limited amount of borrowing. At 31 March 2014 net debt totalled 9.9% of shareholders' funds. Operating with a low reliance on debt reduces the impact of a restriction in funding or its increased cost having an adverse impact on profitability or the Group's ability to meet its financial commitments. Financing risk is reduced by extending the repayment date of the Group's borrowings. At 31 March 2014 the Group had issued £247 million of unsecured loan notes with maturities ranging from 10 to 20 years. In July 2014, terms were agreed for a further issue of £100 million of notes to be drawn in October 2014 with maturities in 10, 15 and 20 years. The Group's core funding requirement is expected to be financed by its own cash and these long term borrowings with bank finance used to finance short term cash outflows.
Interest rate risk on borrowings	The Group has an objective to have a minimum of 75% of its net debt subject to rate protection. At 31 March 2014 99% of net debt was protected through a combination of fixed rate loans and fixed rate interest rate swaps.
Higher taxation of UK real estate	Adverse changes to the tax regime are outside the control of management. The Group, however, takes an active role in organisations like the British Property Federation and the Estates Business Group which promote the importance of real estate activity to the UK economy.

Operational risks	The Group suffers loss or adverse consequences due to weak or inadequate processes
Risk Tenant defaults	*Control or mitigation* The Group has in excess of 2,200 tenancies with no single tenant representing more than 6% of contracted rent. The largest 10 tenants represent 18% of rental income. Of this total 58% is medical and 13% educational. These uses have historically resulted in lower tenant default than other uses such as office. The Group reviews the creditworthiness of new tenants and where appropriate will require a cash deposit or guarantor as security against default of the rent.
Failure to secure a tenant on completion of a development	The Group aims to refurbish buildings to a high standard to meet the requirements of a wide range of potential occupiers. Development activity is regularly reviewed with the largest projects planned, as far as possible, to avoid completion coinciding with other similar schemes.

Regulatory risks	The Group is unable to deliver its development objectives due to planning regulations
Risk Changes to planning policy	*Control or mitigation* The Group's properties are all located in the London borough of the City of Westminster and are affected by changes to local and national planning policy. The Group monitors and is actively involved in consultation where it considers it would be affected by emerging planning policy.
Planning restrictions or delays	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 fallback position is to maintain the property in its existing use.

CORPORATE AND SOCIAL RESPONSIBILITY

Community
The Howard de Walden Estate participates wholeheartedly in the life of the area. The Group has worked consistently over the years to nurture and enhance one of Marylebone's key characteristics, namely its deep-seated sense of community. The area's large residential population is extremely active in local culture and events and the retail, office and medical sectors have all been similarly embedded and engaged. We are able to achieve this by being open minded and responsive and engaging with the surrounding community. The Group regularly funds and supports worthwhile initiatives that bring broad benefits to the area.

Local initiatives and support
The Group recognises the importance of healthy and active community institutions, so local associations have also been given regular funding and logistical support. The Estate jointly sponsors the Marylebone Association's AGM, supports its annual report and provides backing for the annual Art in Marylebone exhibition, which showcases local artists. The Marylebone Retailers' Association is run directly by the Estate, providing members of the retail community with a forum to share their ideas. The local London Farmers' Market that takes place every Sunday has been supported by the Estate since its introduction to the area some 11 years ago. A number of small retail events such as the Marylebone Interiors Day and the Daunt Book Festival have also been supported by the Estate team and further local initiatives, including tree planting projects, installation of hanging baskets across the Estate and heritage-based programmes relating to surveying and protecting the area's historical fabric, have all been given considerable backing.

Education
As the area has prospered and Marylebone has grown into a highly desirable residential destination there has been a growing need for further education offerings. The Group has successfully attracted and is now working with a number of well respected schools. The Group also has particularly strong relationships with its two state funded local schools—St Vincent's and St Marylebone. In the past few years the Group has, for example, provided funding for a new library at St Vincent's and financed a series of scholarships to help promising St Marylebone pupils attend university and it has paid for educational sessions run by the Regent's Park Open Air Theatre, which have taken place at both schools. The Royal Academy of Music has also benefitted from funding for scholarships.

Public events and fundraising
Every year the Estate hosts and organises two large public events—the Marylebone Summer Fayre and the Marylebone Christmas Lights. The Summer Fayre has been growing in scope every year, and now attracts over 25,000 people, whilst the Christmas Lights, somewhat smaller, is also very well attended. Both are free to attend, open to all and raise money and awareness for our chosen charities. Over the years several charities have benefitted: these have included Teenage Cancer Trust, Sparks, Rays of Sunshine, Kids Company and Scope.

The value of these special events is greatly enhanced by the time and dedication given to them by our staff.

Donations
In addition to its public fundraising, during the course of any year the Group makes a number of specific donations to considered worthy causes. In the year to 31 March 2014 the Group donated a total of £168,000 to charitable causes.

Communication
With its commitment to clear communication and its sense of place, the Estate feels a responsibility to keep the Marylebone community informed of its activities while also promoting

REGENT'S PARK OPEN AIR THEATRE GROUP INITIATIVE

CORPORATE AND SOCIAL RESPONSIBILITY CONTINUED

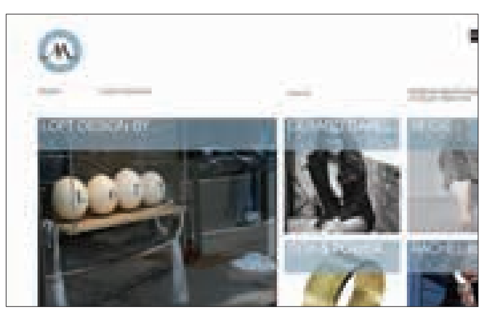
25,000

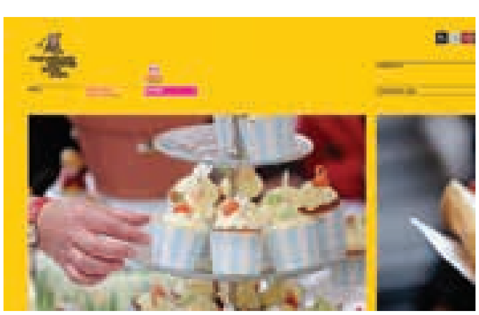
NUMBER OF VISITORS TO MARYLEBONE SUMMER FAYRE

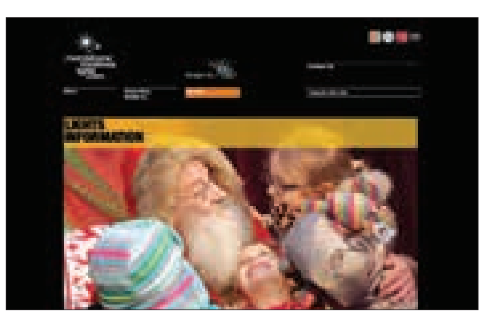
£168,000

IN THE YEAR TO 31 MARCH 2014 THE GROUP DONATED A TOTAL OF £168,000 TO CHARITABLE CAUSES

MARYLEBONE SUMMER FAYRE 2014







THE GROUP'S WEBSITES INCLUDE:

HDWE.CO.UK
MARYLEBONEVILLAGE.COM
MARYLEBONEJOURNAL.COM
MARYLEBONESUMMERFAYRE.COM
MARYLEBONECHRISTMASLIGHTS.COM
HARLEYSTREETMEDICALAREA.COM

the area to the outside world. In order to achieve this, the Estate publishes a number of printed and online resources. The award-winning bi-monthly magazine, The Marylebone Journal, has a print run of 25,000, distributed to local residents and businesses. The Journal website (marylebonejournal.com) provides features, reviews and interviews, while the Marylebone Village website (marylebonevillage.com) offers a comprehensive directory. Free wifi is being installed on and around Marylebone High Street. A notice board provides events listings and a detailed map of the area.

The Estate consults extensively with the local community prior to embarking upon any project that is liable to fundamentally impact upon the area. When conducting its business the Estate works hard to minimise disruption, preserve public spaces and maintain Marylebone's distinctive character. Retaining an open dialogue with the local community is an important part of this process.

Equality and diversity

The Group is committed to eliminating discrimination and supporting equality and diversity in the workplace. We recognise and support the varied contributions that a diverse workforce makes to the business and we seek to create an environment in which they are valued. We ensure compliance with employment legislation and promote equality and diversity policies that are regularly updated.

At 31 March 2014 the gender diversity of employees was 66% female, with 31% of the senior management team female. The gender diversity of the Board is 31% female.

Reward

The Group's continuing success requires the hiring, retention and growth of talent. We aim to offer competitive reward packages (salary and performance related bonuses) and these are regularly reviewed against comparable roles within the UK real estate sector to ensure that the Group is an employer of choice. We also provide a range of employee benefits which include pensions, private health care and season ticket loans. Staff turnover rate for the year ended 31 March 2014 was 5.9% and excluding retirements was 4.4%.

Health and safety

The Group is committed to achieving high standards of health and safety and employs a Health and Safety Manager and operates a Health and Safety Committee whose members are drawn from all areas of the business. We have established compliance and reporting procedures to ensure that health and safety risks are eliminated or reduced as far as possible.

During the year the Group engaged consultants to audit our health and safety policies and procedures. The report confirmed the quality and integrity of our health and safety practices, in addition to giving some suggestions for further improvement. In the period 1 April 2013 to 31 March 2014, there were no reportable accidents or incidents.

During the year, several members of staff completed training in first aid and health and safety matters.

Environmental performance

BREEAM (Building Research Establishment Environmental Assessment Methodology) sets the standard for best practice in sustainable building design, construction and operation and has become one of the most comprehensive and widely recognised measures of a building's environmental performance. It encourages designers, clients and others to think about low carbon and low impact design, minimising the energy demands created by a building before considering energy efficiency and low carbon technologies.

The Estate endeavours to achieve the highest environmental performance levels on all its new developments. As the Estate falls within a conservation area this goal has to be balanced with what is achievable in planning and listed building terms. With this in mind we are delighted to have achieved 'Excellent' ratings at two of our recent developments despite the restrictions imposed by the existing structures in each case. BREEAM ratings for some recently completed projects are shown in the table.

20 BENTINCK STREET – GREEN WALL

CORPORATE AND SOCIAL RESPONSIBILITY CONTINUED

25,000

THE MARYLEBONE JOURNAL HAS A PRINT RUN OF 25,000, DISTRIBUTED TO LOCAL RESIDENTS AND BUSINESSES

BREEAM Ratings

Recently completed properties	Completion	Rating
20 Bentinck Street	August 2013	Excellent
75/76 Wimpole Street	December 2013	Excellent

The Group is targeting 'Excellent' ratings for the following schemes to maintain this high level of building performance.

Properties under development	Anticipated Completion	Rating
77/78 Wimpole Street	End September 2014	Excellent
83/84 Wimpole Street	April 2015	Excellent
41/42 Welbeck Street	April 2015	Excellent
54 Portland Place	August 2015	Excellent
50/52 Welbeck Street	October 2015	Excellent
64/66 Wigmore Street	December 2015	Excellent
47/51 Queen Anne Street	Mid 2016	Excellent

64-66 WIGMORE STREET – PROPOSED GREEN WALL AND GREEN ROOF ELEMENTS

GOVERNANCE

FAMILY TRUSTEES AND INDIVIDUAL FAMILY SHAREHOLDERS

OWN 100% OF THE GROUP'S SHARES

HOWARD DE WALDEN ESTATES HOLDINGS LIMITED 'THE GROUP'

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

The Group is privately owned with the majority shareholders being the Trustees of the Lord Howard de Walden and Seaford's Marriage Settlement Children's Trust, who hold 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 in the Group.

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

The composition of the Group Board of Directors ('the Board') is designed to ensure the effective management of the Group and to provide leadership, strategy and control. Including the Chairman there are six Non-Executive Directors with CEO-level experience on the Board and four family shareholders, plus three Executive Directors: The Chief Executive, the Property Director and the Finance Director.

The Board members and their roles are listed below:

Name	Role	Executive / Non-Executive
Peter Barton	Chairman	Non-Executive
Sir Christopher Howes	Deputy Chairman	Non-Executive
Toby Shannon	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
Andrew Ashenden		Non-Executive
Marc Gilbard		Non-Executive
Christopher Peacock		Non-Executive
Peter Stormonth Darling		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 meets formally throughout the year with papers typically circulated 7 to 10 days in advance. In the financial year ended 31 March 2014 there were four meetings. 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 and the statutory audit and monitors internal controls including risk management. The members of the Audit Committee are the Chairman, the Deputy Chairman and Marc Gilbard with the attendance of Executive Directors when required. The Remuneration Committee comprises the Chairman and Peter Stormonth Darling, who make

GOVERNANCE CONTINUED

recommendations to the Board on the Executive Directors' remuneration, based upon independent external professional advice. It is the nature of the property business that some matters are large, 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, Andrew Ashenden, Marc Gilbard and Christopher Peacock. Non-Executive Directors are also invited to informal update meetings usually combined with site visits and these provide an opportunity to meet senior management.

Our experienced management 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 members of the senior management team, excluding Group Board members, are listed below:

Name	Role	Length of Service
Martin Precious	Director, Company Secretary	9 months
Paul Bakker	South Division Director	11 years
Fiona Barnes	Director, Group Financial Controller	19 years
Julia Bellingham	Group HR Director	2 years
Mike Dickman	Insurance Director	12 years
James Fisher	Projects Director	14 years
Jenny Hancock	Creative Director	10 years
Steven Hudson	Retail & Commercial Director	25 years
David Russell	North Division Director	19 years
Ian Sands	Enfranchisement/Maintenance Director	5 years
Ken Shortt	Residential Director	8 years
Andrew Wilson	Projects & Town Planning Director	31 years
Dawn Wyatt	Group Legal Director	18 years

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

DIRECTORS' REPORT

Donations
During the year the Group made donations of £168,000 (2013: £121,000) to charitable institutions.

Disclosure of information to the auditor
In the case of each person who was a director at the time this report was approved:

— so far as that director was aware there was no relevant audit information of which the Group's auditor was unaware; and
— that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Group's auditor was aware of that information.

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

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

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

Dividends
During the year the Group paid dividends of £31,216,000 (2013: £8,695,000) to shareholders.

Approved by the Board of Directors and signed on behalf of the Board.

T R Shannon
(Chief Executive)
DIRECTOR

M P S Barton
(Chairman)
DIRECTOR

DIRECTORS' REPORT CONTINUED


23 QUEEN ANNE STREET

Secretary
M D Precious

Registered Office
23 Queen Anne Street
London
W1G 9DL

Company's Registered Number
06439246

Bankers
HSBC Bank plc
8 Canada Square
London
E14 5HQ

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

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

Bank of Scotland plc
The Mound
Edinburgh
EH1 1YZ

Auditor
Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

Solicitors
Speechly Bircham LLP
6 New Street Square
London
EC4A 3LX

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the directors' report and the accounts 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). 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 that period. 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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOWARD DE WALDEN ESTATES HOLDINGS LIMITED

We have audited the financial statements of Howard de Walden Estates Holdings Limited for the year ended 31 March 2014 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Note of Historical Cost Profits and Losses and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements
In our opinion the financial statements:

— give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2014 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion 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.

Matters on which we are required to report by exception
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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
— the 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.

Philip Quigley
Senior Statutory Auditor,
for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

23 September 2014

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	**2014 £000**	2013 £000
Turnover	2	**90,878**	84,572
Property outgoings and cost of sales		**(16,990)**	(18,336)
Gross profit		**73,888**	66,236
Administrative expenses		**(12,365)**	(11,844)
Operating profit	2	**61,523**	54,392
Profit on sale of investment properties		**3,045**	5,749
Other interest receivable and similar income	3	**974**	2,279
Interest payable and similar charges	4	**(17,487)**	(17,262)
Profit on ordinary activities before taxation	5	**48,055**	45,158
Tax on profit on ordinary activities	7	**(10,412)**	(8,809)
Profit for the financial year after taxation	19	**37,643**	36,349

All the Group's operations are classed as continuing.

BALANCE SHEETS
AS AT 31 MARCH 2014

		Group		Company	
	Notes	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Fixed assets					
Investment properties	10	**3,220,365**	2,637,316	**–**	–
Tangible assets	11	**1,092**	1,039	**–**	–
Investments	12	**–**	–	**129,485**	107,909
		3,221,457	2,638,355	**129,485**	107,909
Current assets					
Debtors	13	**11,773**	14,181	**–**	–
Cash at bank and in hand		**57,928**	75,466	**7**	127
		69,701	89,647	**7**	127
Creditors					
Amounts falling due within one year	14	**(41,623)**	(44,516)	**(853)**	(201)
Net current assets/(liabilities)		**28,078**	45,131	**(846)**	(74)
Total assets less current liabilities		**3,249,535**	2,683,486	**128,639**	107,835
Creditors					
Amounts falling due after more than one year	16	**(346,154)**	(345,616)	**–**	–
Net assets excluding pension liability		**2,903,381**	2,337,870	**128,639**	107,835
Pension liability	22	**(3,257)**	(4,736)	**–**	–
Net assets including pension liability		**2,900,124**	2,333,134	**128,639**	107,835
Capital and reserves					
Called up share capital	18	**2,667**	2,667	**2,667**	2,667
Merger reserve	19	**2,917**	2,917	**–**	–
Revaluation reserve	19	**2,691,225**	2,146,688	**–**	–
Other reserves	19	**63,887**	47,108	**58,561**	58,561
Profit and loss account	19	**139,428**	133,754	**67,411**	46,607
Shareholders' funds – equity	20	**2,900,124**	2,333,134	**128,639**	107,835

The accounts were approved by the Board of Directors on 23 September 2014 and were signed on its behalf by:

M Kildea T R Shannon

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	**2014 £000**	2013 £000
Profit for the financial year		**37,643**	36,349
Unrealised surplus on revaluation of investment properties	10	**559,700**	173,652
Actuarial gain/(loss) recognised	22	**1,092**	(91)
Movement on deferred tax relating to pension liability	15	**(229)**	21
Total recognised gains for the year		**598,206**	209,931

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2014

	2014 £000	2013 £000
Reported profit on ordinary activities before taxation	**48,055**	45,158
Realisation of investment property revaluation gains and losses	**14,680**	19,405
Difference between historical cost depreciation charge and the actual depreciation charge for the year on the revalued amount	**483**	366
Historical cost profit on ordinary activities before taxation	**63,218**	64,929
Historical cost profit for the financial year after taxation	**52,806**	56,120

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	**2014 £000**	**2014 £000**	2013 £000	2013 £000
Net cash inflow from operating activities	26		**58,538**		58,331
Returns on investments and servicing of finance					
Interest received and other fees		**987**		2,480	
Interest paid and other fees		**(16,612)**		(18,265)	
Net cash outflow from returns on investments and servicing of finance			**(15,625)**		(15,785)
Taxation					
Corporation tax paid			**(9,595)**		(10,311)
Capital expenditure and financial investment					
Additions to investment properties		**(37,092)**		(67,937)	
Additions to tangible fixed assets		**(314)**		(142)	
Sales of investment properties		**17,756**		29,954	
Sale of tangible fixed assets		**10**		–	
Net cash outflow from capital expenditure and financial investment			**(19,640)**		(42,125)
Equity dividends paid			**(31,216)**		(8,695)
Net cash outflow before financing			**(17,538)**		(18,585)
Financing					
Drawdown of bank loan	27	**7,000**		–	
Repayment of bank loan	27	**(7,000)**		(150,000)	
New bank loan	27	**–**		100,000	
Mortgage repaid	27	**–**		(10,000)	
			–		(60,000)
(Decrease)/increase in cash in the year	28		**(17,538)**		(78,585)

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

1. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice. A summary of the more important accounting policies adopted are described below.

Accounting convention
The accounts have been prepared under the historical cost convention, modified by the revaluation of investment properties.

Basis of consolidation
The Group accounts consolidate the accounts of the Company and each of its subsidiary undertakings prepared to 31 March each year. No profit and loss account is presented for Howard de Walden Estates Holdings Limited as permitted by Section 408 of the Companies Act 2006. Past acquisitions are accounted for under the acquisition method.

Merger reserve
The merger reserve represents the share premium account and capital redemption reserve of Howard de Walden Estates Limited and has arisen as part of a Group reorganisation which took place prior to the start of the comparative period.

Investment properties
Investment properties are included in the accounts at open market value at the year end. Any surplus on revaluation is recognised in the statement of total recognised gains and losses and the revaluation reserve. Any deficit on revaluation, if temporary, is recognised in the statement of total recognised gains and losses and the revaluation reserve. If a deficit below original cost arises and is deemed to be permanent it is recognised in the profit and loss account.

No depreciation is provided in respect of freehold and long leasehold investment properties where the lease has over 20 years to the date of expiry. Although this is in accordance with Statement of Standard Accounting Practice 19: Investment Properties it represents a departure from the Companies Act 2006 which requires the systematic annual depreciation of fixed assets. The directors believe that it is inappropriate to charge depreciation or amortisation because the properties are held for their investment potential and the departure is therefore necessary in order for the accounts to give a true and fair view.

Depreciation is provided on long leasehold investment properties where the lease has 20 years or less to the date of expiry on a straight line basis over the life of the lease.

Depreciation
Depreciation is provided on all fixed assets, other than freehold investment properties and long leasehold investment properties where the lease has greater than 20 years to the date of expiry, at rates calculated to write off the book value, less estimated residual value, of each asset over its expected useful life by annual instalments as follows:

Long leasehold investment properties	—straight line over the remaining life of the lease where the lease has 20 years or less to the date of expiry
Equipment, 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.

Investments (non property)
Investments are stated at cost less provision for impairment.

Deposits received from tenants
Where deposits have been received from tenants and placed in designated bank accounts, such amounts are not included in the balance sheet as assets of the Group nor as liabilities to tenants. Amounts held at 31 March 2014 were £10,222,000 (2013: £9,323,000) in the Group.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

1. Accounting policies continued

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

Rental income is recognised on the basis of the amount receivable for the year. Where there is a material rent free period and the amount is considered to be recoverable, the income is recognised evenly over the period to the date of the first rent break. Rents and service charges charged in advance are shown as deferred income in the balance sheet.

Operating leases
Costs in respect of operating leases are charged on a straight line basis over the term of the lease.

Deferred taxation
Deferred tax is provided on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

No timing differences are recognised in respect of (i) property revaluation surpluses where there is no commitment to sell the asset and (ii) gains on sale of assets where those gains have been rolled over into replacement assets. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Any assets and liabilities recognised have not been discounted.

No deferred taxation is provided on the revaluation of investment properties unless by the balance sheet date an agreement exists to sell an asset.

Pensions
The pension costs relating to the defined benefit scheme are accounted for in accordance with Financial Reporting Standard 17: Retirement Benefits (“FRS 17”). Current service costs and net financial returns are included in the profit and loss account in the year to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Where a net asset arises this is recognised to the extent the Group can recover the asset from a refund of contributions or reduction in future contribution rates. Contributions payable to the Group Personal Pension Plan and the Stakeholder Pension Scheme are charged to the profit and loss account as incurred.

Foreign exchange
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are dealt with in the profit and loss account.

Borrowings
Interest bearing bank loans and loan notes represent amounts drawn, net of any issue costs or arrangement fees. Finance charges are accounted for on an accruals basis in the profit and loss account using the effective interest method taking into account interest rate swaps.

Arrangement fees
Costs incurred in the raising of loan finance are recorded as a deduction from the loan and subsequently amortised in the profit and loss account over the term of the loan.

Related parties
The Company is exempt under the terms of FRS 8: Related Parties from disclosing related party transactions with entities which are part of the Howard de Walden Estates Holdings Limited Group.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

2. Turnover and operating profit

	2014 £000	2013 £000
All of the Group's turnover arises in the United Kingdom	**90,878**	84,572

Analysis by class of business	Turnover		Operating profit	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Rental income	**89,813**	83,530	**60,458**	53,350
Lease premia	**189**	155	**189**	155
Other income	**876**	887	**875**	887
	90,878	84,572	**61,523**	54,392

3. Other interest receivable and similar income

	2014 £000	2013 £000
Bank interest receivable	**928**	2,223
Other interest receivable	**46**	50
Interest on corporation tax	**–**	6
	974	2,279

4. Interest payable and similar charges

	2014 £000	2013 £000
Bank loans and associated derivative payments	**11,646**	9,482
Other loans and associated derivative payments	**5,425**	7,408
Amortisation of loan issue costs	**376**	322
Interest on tax	**5**	19
Net finance charge relating to pensions	**35**	31
	17,487	17,262

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

5. Profit on ordinary activities before taxation is stated after charging:

	Notes	2014 £000	2013 £000
Depreciation and amortisation			
Investment properties	10	**567**	481
Tangible assets	11	**254**	216
Depreciation and amortisation		**821**	697
Operating leases (land and buildings)		**141**	133
Auditor's remuneration			
Amounts payable to the Group's auditor for audit of the Company's accounts		**11**	11
Amounts payable to the Group's auditor for auditing of accounts of subsidiaries of the Company		**71**	69
Total audit fees		**82**	80
Fees payable to the Group's auditor and its associates for other services:			
—Taxation compliance services		**96**	93
—Taxation advisory services		**19**	52
—Other non-assurance services		**194**	136
Total non-audit fees		**309**	281
Fees in respect of the Howard de Walden Estates Limited Retirement Benefits Scheme – audit		**6**	6

6. Staff costs

	2014 £000	2013 £000
Including directors:		
Wages and salaries	**7,833**	7,537
Social security	**1,061**	959
Pension costs	**1,387**	1,390
	10,281	9,886

The average weekly number of persons employed by the Group in the UK during the year was 140 (2013: 144).

The total emoluments paid to the Directors by the Group for the year were as follows:

	2014	2013
Directors' emoluments		
Aggregate emoluments	**2,623**	2,533

The emoluments of the highest paid director for the year ended 31 March 2014 were £920,000 (2013: £898,000) and a pension allowance of £220,000 (2013: £210,000).

At 31 March 2014 there was one (2013: one) director accruing benefits under the Group Personal Pension plan.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

7. Taxation

	2014 £000	2013 £000
a) Analysis of charge in year		
Current tax		
– UK Corporation tax based on the profits for the year at 23 % (2013: 24%)	**10,343**	9,778
– Over provision in respect of prior years	**(251)**	(1,150)
Current tax charge for the year	**10,092**	8,628
Deferred tax		
– Origination and reversal of timing differences Includes deferred tax on pension liability	**320**	181
Tax on profit on ordinary activities	**10,412**	8,809

Of which the following relates to sale of investment properties and other capital receipts:

Current year	**277**	87
	277	87

	2014 £000	2013 £000
b) Factors affecting current tax charge for year		
The tax assessed for the year is lower (2013: lower) than the standard rate of Corporation Tax in the UK. The differences are explained below:		
Profit on ordinary activities before tax	**48,055**	45,158
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 23% (2013: 24%)	**11,053**	10,838
Effects of:		
Capital allowances in excess of depreciation	**(631)**	(910)
Expenses not deductible for tax purposes	**174**	273
Rollover relief	**(373)**	(1,082)
Other timing differences	**196**	678
Over provision in respect of prior years	**(251)**	(1,150)
Utilisation of losses brought forward	**(80)**	(23)
Losses carried forward	**4**	4
Current tax charge for the year	**10,092**	8,628

c) Factors affecting current tax rate and future tax rate
On 20 March 2013 the Government announced that the corporate income tax rate for the year 1 April 2013 to 31 March 2014 would be 23%, a reduction from the previous year's rate of 24%.

The Government also proposed further amendments to change the Corporation Tax rate for the years commencing 1 April 2014 to 21% and 01 April 2015 to 20%. These Corporation Tax rates were substantively enacted in the 2013 Finance Bill.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

8. Profit for the Company

The profit after tax for the financial year of the Company amounted to £52,020,000 (2013: £2,845,000). (See note 19)

9. Dividends

	2014 £000	2013 £000
Ordinary shares		
173.12p per share paid on 9 April 2013 (2013: 163.33p per share paid on 11 April 2012)	**4,608**	4,347
826.51p per share paid on 9 April 2013 (2013: nil)	**22,000**	–
86.56p per share paid on 27 September 2013 (2013: 81.66p per share paid on 26 September 2012)	**2,304**	2,174
86.56p per share paid on 6 December 2013 (2013: 81.66p per share paid on 6 December 2012)	**2,304**	2,174
	31,216	8,695
'A' Shares		
Nil paid in the year (2013: nil)	**–**	–
	31,216	8,695

At the year end dividends of £4,885,000 on ordinary shares (2013: £4,608,000 on ordinary shares) had been proposed and were paid on 8 April 2014. Those dividends are not included in these accounts.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

10. Investment properties

Group	Freehold £000	Leasehold £000	Total £000
Valuation			
At 1 April 2013	2,614,782	23,672	2,638,454
Additions	38,627	–	38,627
Disposals	(14,711)	–	(14,711)
Revaluation	553,213	6,487	559,700
At 31 March 2014	3,191,911	30,159	3,222,070
Depreciation			
At 1 April 2013	–	1,138	1,138
Charge for the year	–	567	567
Eliminated on disposal	–	–	–
At 31 March 2014	–	1,705	1,705
Net book value			
At 31 March 2014	3,191,911	28,454	3,220,365
At 31 March 2013	2,614,782	22,534	2,637,316

The valuation of investment properties at 31 March 2014 and 31 March 2013 was undertaken by the Group's Property 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 historical cost of investment properties for the Group at 31 March 2014 was £530,150,000 (2013: £491,640,000).

No provision has been made for tax which would arise in the event that the Group disposed of its investment properties at the values at which they are included in these accounts. 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 all the Group's investment properties is approximately £520 million (2013: £440 million).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

11. Tangible fixed assets

Group

	Land and Buildings £000	Equipment and Motor Vehicles £000	Total £000
Valuation			
At 1 April 2013	380	2,947	3,327
Additions	–	314	314
Disposal	–	(40)	(40)
At 31 March 2014	380	3,221	3,601
Depreciation			
At 1 April 2013	–	2,288	2,288
Charge for the year	–	254	254
Eliminated on disposal	–	(33)	(33)
At 31 March 2014	–	2,509	2,509
Net book value			
At 31 March 2014	380	712	1,092
At 31 March 2013	380	659	1,039

The head office building in land and buildings is held at historic cost. The directors consider the market value of this building exceeds the carrying value.

12. Investments

Company

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At 1 April 2013	1,336	106,573	107,909
Advances (net)	–	21,576	21,576
At 31 March 2014	1,336	128,149	129,485

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

13. Debtors

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Due within one year:				
Trade debtors	**7,025**	7,593	**–**	–
Other debtors	**526**	2,627	**–**	–
Prepayments and accrued income	**3,535**	3,274	**–**	–
Deferred tax (note 15)	**260**	260	**–**	–
	11,346	13,754	**–**	–
Due after more than one year:				
Other debtors	**427**	427	**–**	–
	11,773	14,181	**–**	–

14. Creditors
Amounts falling due within one year:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Trade creditors	**928**	4,757	**–**	-
Other creditors	**492**	697	**–**	-
Corporation tax	**7,154**	6,657	**834**	183
Other taxation and social security	**778**	690	**–**	-
Accruals and deferred income	**32,271**	31,715	**19**	18
	41,623	44,516	**853**	201

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

15. Deferred taxation (Group)

The asset for deferred taxation comprises the following:

	2014 £000	2013 £000
Accelerated capital allowances	**43**	43
Short term timing differences	**217**	217
Deferred tax asset recognised on the pension liability (note 22)	**866**	1,415
	1,126	1,675
Disclosed as:		
Debtors (note 13)	**260**	260
Offset against pension liability (note 22)	**866**	1,415
	1,126	1,675

The movement in deferred tax asset was as follows:

	Group £000
At 1 April 2013	**1,675**
Deferred tax in profit and loss account for the year (note 7)	**(320)**
Deferred tax in statement of recognised gains and losses	**(229)**
At 31 March 2014	**1,126**

16. Creditors (Group)
Amounts falling due after more than one year:

	2014 £000	2013 £000
Long term loans (note 17)	**345,345**	344,969
Other creditors	**809**	647
	346,154	345,616

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

17. Analysis of borrowings (Group)

(i) Analysis of total borrowings	2014 £000	2013 £000
Unsecured borrowings:		
Bank loan	**98,925**	98,614
Loan notes	**246,420**	246,355
Total unsecured borrowings	**345,345**	344,969
Total borrowings	**345,345**	344,969

(ii) Age analysis of total borrowings	2014 £000	2014 £000	2013 £000	2013 £000
Falling due within one year		**–**		–
Falling due after more than one year				
Unsecured bank loan	**100,000**		100,000	
Capitalised loan issue costs	**(1,075)**		(1,386)	
Unsecured loan notes	**247,100**		247,100	
Capitalised loan issue costs	**(680)**		(745)	
		345,345		344,969
Total borrowings		**345,345**		344,969

(iii) Bank loans	Drawn as at 31 March 2014 £000	Repayable date	Interest rate
Type			
Unsecured £150 million facility	100,000	14 September 2017	LIBOR plus margin

The margin on the bank loan is variable and dependent on the Group's loan to value ratio and the level of utilisation. The margin payable at 31 March 2014 was 2.25%. The minimum margin payable is 1.75% with the highest margin payable 2.85%.

The Group has entered into interest rate derivative contracts. These contracts total a notional amount of £262,500,000 at a blended fixed rate payable of 3.81% and expire from April 2015 to April 2033. There is a total of £20,000,000 of forward starting interest rate derivatives, on which the average fixed rate payable will be 2.99%.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

17. Analysis of borrowings (Group) continued

(iv) Unsecured loan notes
On 25 August 2010 the Group issued a total of £100 million in unsecured loan notes in a private placement. The loan notes issued are detailed below:

		£000
4.99%	$25m loan notes expiring 16 July 2022	16,892
5.23%	$86m loan notes expiring 16 July 2025	58,108
5.61%	£25m loan note expiring 16 July 2030	25,000
		100,000

The Group 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.

On 16 September 2011 the Group issued a total of £147.1 million in unsecured loan notes in a private placement. The loan notes issued are detailed below:

		£000
4.32%	$52m loan notes expiring 16 September 2021	32,218
4.46%	$64m loan notes expiring 18 September 2023	39,653
4.66%	$73m loan note expiring 16 September 2026	45,229
4.52%	£30m loan note expiring 16 September 2021	30,000
		147,100

The Group entered into derivative contracts in respect of the above fixed rate loan notes swapping the payments on the loan notes into sterling floating rates at a blended margin of 1.15% over LIBOR.

(v) Borrowings by instalment period

		Group
	2014 £000	2013 £000
Instalments due:		
Within one year	**–**	–
Two to five years	**98,925**	98,614
Greater than five years	**246,420**	246,355
	345,345	344,969

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

18. Called up share capital (Group and Company)

	2014 £000	2013 £000
Authorised		
3,000,000 ordinary shares of £1 each	**3,000**	3,000
532,356 'A' shares of 1p each	**5**	5
	3,005	3,005
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.

19. Reserves

Group	Merger reserve £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total £000
At 1 April 2013	2,917	2,146,688	47,108	133,754	2,330,467
Profit for the year	–	–	–	37,643	37,643
Dividends paid – ordinary shares	–	–	-	(31,216)	(31,216)
Transfer to capital reserve	–	–	16,779	(16,779)	–
Transfer of realised profits	–	(15,163)	–	15,163	–
Revaluation during the year	–	559,700	–	–	559,700
Actuarial loss recognised	–	–	–	1,092	1,092
Movement on deferred tax relating to pension liability	–	–	–	(229)	(229)
At 31 March 2014	**2,917**	**2,691,225**	**63,887**	**139,428**	**2,897,457**

Company	Other reserves £000	Profit and loss account £000	Total £000
At 1 April 2013	58,561	46,607	105,168
Profit for the year	–	52,020	52,020
Dividends paid – ordinary shares	–	(31,216)	(31,216)
At 31 March 2014	**58,561**	**67,411**	**125,972**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

20. Reconciliation of movements in shareholders' funds

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Profit for the financial year	**37,643**	36,349	**52,020**	2,845
Dividends paid – ordinary shares	**(31,216)**	(8,695)	**(31,216)**	(8,695)
Revaluation during the year	**559,700**	173,652	**–**	–
Actuarial gain/ (loss) recognised	**1,092**	(91)	**–**	–
Movement on deferred tax relating to pension liability	**(229)**	21	**–**	–
Movement in shareholders' funds	**566,990**	201,236	**20,804**	(5,850)
Opening shareholders' funds	**2,333,134**	2,131,898	**107,835**	113,685
Closing shareholders' funds	**2,900,124**	2,333,134	**128,639**	107,835

21. Subsidiary undertakings

The Group accounts for the year ended 31 March 2014 include the results of the following subsidiary undertakings; all investments are held indirectly via Howard de Walden Estates Limited, with the exception of Howard de Walden Estates Limited itself.

Company	Type of Business	% of equity share capital owned by the Group
Registered in Great Britain:		
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	Property investment	100%
Runneymede Limited	Property letting	100%
Howard House Limited	Property management	Company limited by guarantee over which the Group has dominant influence

The above companies represent the Group's trading subsidiary undertakings. A full list of all subsidiary undertakings is available on request.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

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 2013 and updated to 31 March 2014 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The Group currently pays contributions at the rate of 52.7% of pensionable pay and £850,000 per annum deficit reduction contributions.

On 12 March 2014 the Group acquired the £553,000 pension scheme liability of Welbeck Land Limited, a company subject to common control. This consisted of scheme assets with a fair value of £3,786,000 and scheme liabilities with a present value of £4,339,000. The Group received £620,000 in consideration for acquiring this liability, resulting in a gain of £67,000 recorded within administrative expenses. The £620,000 was immediately paid in to the pension fund as a special contribution.

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

	2014 £000	2013 £000	2012 £000
Fair value of scheme assets	**33,074**	26,932	23,398
Present value of scheme liabilities	**(37,197)**	(33,083)	(30,061)
Deficit in scheme	**(4,123)**	(6,151)	(6,663)
Deferred tax (note 15)	**866**	1,415	1,599
Net liability recognised	**(3,257)**	(4,736)	(5,064)

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

	2014 £000	2013 £000
Fair value of scheme assets at start of year	**26,932**	23,398
Expected return on scheme assets	**1,455**	1,356
Actuarial gains/(losses)	**(674)**	1,353
Contributions by the Group	**1,537**	1,328
Special contribution in respect of Welbeck Land Limited	**620**	–
Benefits paid and death in service insurance premia	**(582)**	(503)
Assets acquired from Welbeck Land Limited	**3,786**	–
Fair value of scheme assets at end of year	**33,074**	26,932

The actual return on the scheme assets over the year ending 31 March 2014 was a gain of £781,000 (2013: £2,709,000).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

22. Pensions continued

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

	2014 £000	2013 £000
Scheme liabilities at start of year	**33,083**	30,061
Current service cost	**633**	694
Interest cost	**1,490**	1,387
Actuarial (gains)/losses	**(1,766)**	1,444
Benefits paid and death in service insurance premia	**(582)**	(503)
Liabilities acquired from Welbeck Land Limited	**4,339**	–
Scheme liabilities at end of year	**37,197**	33,083

Total expense recognised in profit and loss account

	2014 £000	2013 £000
Current service cost	**633**	694
Interest cost	**1,490**	1,387
Expected return on scheme assets	**(1,455)**	(1,356)
Gain on acquisition of Welbeck Land Limited liability	**(67)**	–
Total expense recognised in the profit and loss account	**601**	725

Statement of total recognised gains and losses

	2014	2013
Difference between expected and actual return on scheme assets:		
Amount: gain (loss)	**(674)**	1,353
Experience gains and (losses) arising on the scheme liabilities:		
Amount: gain	**1,223**	25
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount: gain/(loss)	**543**	(1,469)
Total amount recognised in statement of total recognised gains and losses		
Amount: gain/(loss)	**1,092**	(91)

The cumulative amount of actuarial gains and (losses) recognised in the statement of total recognised gains and losses since adoption of FRS 17 is a loss of £7,353,000 (2013: £8,445,000).

Assets

	2014 £000	2013 £000	2012 £000
Equities	**14,911**	12,575	13,148
Bonds	**15,329**	12,153	7,796
Property	**1,356**	1,088	1,130
Cash and net current assets	**1,478**	1,116	1,324
Total assets	**33,074**	26,932	23,398

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.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

22. Pensions continued

Assumptions

	2014 % per annum	2013 % per annum	2012 % per annum
Inflation	**3.40**	3.40	3.20
Salary increases	**4.90**	4.90	4.70
Rate of discount	**4.50**	4.50	4.60
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.40**	3.40	3.20
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.40**	3.40	3.20
Allowance for commutation of pension for cash at retirement	**None**	None	None

The mortality assumptions adopted at 31 March 2014 imply the following life expectancies:

Male retiring age 62 in 2014	27.8
Female retiring age 62 in 2014	30.2
Male retiring age 62 in 2034	30.2
Female retiring age 62 in 2034	32.6

Expected long term rates of return
The long-term expected rate of return on equities and property is based on the rate of return on government bonds with an allowance for out-performance. The long-term expected return on bonds is determined by reference to corporate bond yields at the balance sheet date. The long-term expected rate of return on cash is determined by reference to UK long dated government bonds.

The expected long term rates of return applicable for each period are as follows:

	Period commencing 1 April 2013 % per annum	Period commencing 1 April 2012 % per annum
Equities	**6.30**	6.60
Bonds	**4.50**	4.60
Property	**5.80**	6.10
Cash and net current assets	**2.50**	2.80
Overall for scheme	**5.31**	5.69

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

22. Pensions continued

Amounts for the current and previous four years

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Fair value of scheme assets	**33,074**	26,932	23,398	21,851	18,674
Present value of scheme liabilities	**(37,197)**	(33,083)	(30,061)	(23,769)	(19,796)
(Deficit)/surplus in scheme	**(4,123)**	(6,151)	(6,663)	(1,918)	(1,122)
Experience adjustment on scheme assets	**(674)**	1,353	(1,128)	566	3,487
Experience adjustment on scheme liabilities	**1,223**	25	23	(384)	(339)

The best estimate of annual contributions to be paid by the Group to the scheme for the period beginning after 31 March 2014 is £1,526,000 (2013: £1,290,000).

Personal Pension Plan
The Group makes contributions to a Group Personal Pension Plan. Contributions for the financial year were £316,000 (2013: £312,000).

23. Contingent liabilities

Howard de Walden Estates Limited has agreed to provide support for at least one year in respect of Runneymede Limited, which had a net deficit on shareholders' funds at 31 March 2014 of £87,000 (2013: deficit £125,000).

24. Financial commitments

The Group had the following annual commitments under non-cancellable operating leases at the year end:

	Land and buildings	
	2014 £000	2013 £000
Operating leases expiring:		
More than five years	**141**	133

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

25. Related and controlling 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 following amounts were charged to Welbeck Land Limited, a company subject to common control:

	2014 £000	2013 £000
Management fees	**41**	41
Recharged staff costs	**620**	39
Other	**54**	30

On 12 March 2014 the Group acquired the pension fund liability of Welbeck Land Limited, as described in note 22.

During the year £93,000 (2013: £53,000) was paid by the Group in respect of costs incurred by the Howard de Walden Estates Limited Retirement Benefits Scheme.

26. Reconciliation of operating profit to net cash inflow from operating activities

	2014 £000	2013 £000
Operating profit	**61,523**	54,392
Depreciation and amortisation	**821**	697
(Increase)/decrease in debtors	**197**	(929)
Increase/(decrease) in creditors	**(3,029)**	4,805
(Profit)/loss on disposal of equipment, motor vehicles, plant and machinery	**(3)**	–
FRS 17 adjustment to operating profit	**(971)**	(634)
Net cash inflow from operating activities	**58,538**	58,331

27. Reconciliation of net cash flow to movement in net debt

	2014 £000	**2014 £000**	2013 £000	2013 £000
Increase/(decrease) in cash in the year		**(17,538)**		(78,585)
Movement in bank loans	**–**		50,000	
Bank loan costs	**–**		1,556	
		–		51,556
Mortgage repaid		**–**		10,000
Change in net debt resulting from cash flows		**(17,538)**		(17,029)
Amortisation of loan issue costs		**(376)**		(322)
Net debt at 1 April 2013		**(269,503)**		(252,152)
Net debt at 31 March 2014		**(287,417)**		(269,503)

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
CONTINUED

28. Analysis of net debt

	At 1 April 2013 £000	Cash flow £000	Other non non cash changes £000	At 31 March 2014 £000
Debt due within one year	–	–	–	**–**
Debt due after one year	(344,969)	–	(376)	**(345,345)**
	(344,969)	–	(376)	**(345,345)**
Cash at bank	75,466	(17,538)	–	**57,928**
	(269,503)	(17,538)	(376)	**(287,417)**

FIVE YEAR SUMMARY
BASED ON THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Group profit and loss accout					
Turnover*	**90.9**	84.6	79.8	73.8	64.8
Rental income*	**90.0**	83.7	78.6	73.0	63.9
Revenue profit before tax	**45.0**	39.4	39.7	36.8	31.2
Group balance sheet					
Investment properties	**3,220.4**	2,637.3	2,416.6	2,162.8	1,811.7
Shareholders' funds	**2,900.1**	2,333.1	2,131.9	1,893.9	1,550.4
Gearing	**9.9%**	11.6%	11.8%	13.2%	15.3%

*includes lease premiums.

DEFINITIONS

British Property Federation (BPF)
The British Property Federation is the main organisation representing the interests of real estate owners and investors.

Building Research Establishment Environmental Assessment Methodology (BREEAM)
BREEAM is an environmental impact assessment method for commercial buildings. Performance is measured across a series of ratings: Pass, Good, Very Good, Excellent or Outstanding.

Conservation area
A conservation area is an area of special architectural interest, the character or appearance of which it is desirable to preserve or enhance. Planning permission is required to carry out external alterations to buildings in a conservation area whether or not they are listed.

Estates Business Group
The Estates Business Group is an organisation that includes urban and rural property interests, whose owners take a long term and responsible view of preservation and development.

Gearing
Total borrowings, minus cash held, as a percentage of Shareholders' funds.

Interest rate swap (or derivative contract)
A financial instrument where two parties agree to exchange an interest rate obligation for a pre-determined period of time. These are used by the Group to convert floating rate debt to fixed rates, or to exchange US dollar debt to sterling.

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

Investment Property Databank Ltd (IPD)
IPD is an independent provider of real estate performance analysis, publishing detailed information on real estate market returns.

IPD Central London Offices Index
An index compiled by IPD of their universe of central and inner London office properties, annualised for the reporting year.

IPD UK All Property Index
An index compiled by IPD of their universe of UK property, annualised for the reporting year.

Key Performance Indicators (KPIs)
Business objectives which measure the Group's performance against appropriate benchmarks.

Land Registry
The Land Registry is a non-ministerial department of the UK Government whose principle activity is to register the ownership of land and property in England and Wales.

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)
LIBOR is the average rate at which a selection of banks on the London money market are prepared to lend to one another.

Net borrowings
Borrowings plus bank overdraft, less cash and cash equivalents.

Operating lease
A lease where substantially all of the risks and rewards of ownership remain with the lessor.

Private placement
Borrowings sourced from financial institutions other than banks, where fixed term loan notes are issued by the Group to the investor at fixed rates of interest.

Redevelopment
Substantial works undertaken which fundamentally alter the structure of properties, or parts thereof, to prevent them from becoming obsolete and may provide the opportunity to increase the rental value on completion.

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

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

Sector
The division of the Group's four largest planning uses, by income; residential, medical, office and retail.

Increase in shareholder value
The growth in shareholders' funds plus dividends paid in the period, expressed as a percentage change on the period's opening value.

Vacancy rate
The rental value of unoccupied properties available to let, expressed as a percentage of the rental value of the Group's total lettable properties.

Yield
The anticipated income return from an investment property.

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