

COMPANY REGISTRATION NUMBER: 03087160

Daejan Retail Properties Limited

Financial Statements

31 March 2022



Daejan Retail Properties Limited

Financial Statements

Year ended 31 March 2022

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Daejan Retail Properties Limited

Directors' Report

Year ended 31 March 2022

The directors present their report and the financial statements of the Company for the year ended 31 March 2022.

Principal activities and business review

The principal activity of the Company is property investment in commercial and residential properties in the UK. From time to time the Company undertakes new developments and also the redevelopment of existing properties. The Company's business model is generally to hold its properties for the long term in order to generate rental income and capital appreciation. However, each of the Company's investment properties is considered to be potentially for sale in the right circumstances. There has been no significant change in the nature of the Company's business activities during the year under review, nor is any envisaged in the immediate future.

Directors

The directors who served the Company during the year were as follows:

D Davis
M Freshwater
S Freshwater
B S E Freshwater

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

The directors do not have service contracts.

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

Results and dividends

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

The Company did not pay a dividend in the year (2021: £nil). The directors do not propose a final dividend for the year (2021: £nil).

Going concern

The directors have considered the impact of high consumer price inflation, rising interest rates and potential for new Covid-19 variants, which has resulted in unprecedented risks and significant levels of volatility on the macro economy and the particular market that the Company and the Daejan Holdings Limited Group operates in. The directors have considered the impact on the Company, as explained in note 3.

The directors are satisfied that the Company and the Group will have sufficient resources to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Daejan Retail Properties Limited

Directors' Report *(continued)*

Year ended 31 March 2022

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Daejan Retail Properties Limited

Directors' Report *(continued)*

Year ended 31 March 2022

This report was approved by the board of directors on 8 December 2022 and signed on behalf of the board by:



J S Southgate
Company Secretary

Registered office:
Freshwater House
158-162 Shaftesbury Avenue
London
WC2H 8HR

Daejan Retail Properties Limited

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

Year ended 31 March 2022

Opinion

We have audited the financial statements of Daejan Retail Properties Limited ("the Company") for the year ended 31 March 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standard, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Daejan Retail Properties Limited

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

(continued)

Year ended 31 March 2022

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment property valuations.

We did not identify any additional fraud risks.

On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's income primarily arises from operating lease contracts with fixed, or highly predictable, periodic payments.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted containing key words.

Our procedures to detect fraud in the investment property valuations included:

- the use of our specialist valuers to challenge the methods used in the valuations;
- obtaining both confirmatory and non-confirmatory evidence to access the key inputs into the valuations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including

Daejan Retail Properties Limited

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

(continued)

Year ended 31 March 2022

Fraud and breaches of laws and regulations - ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: landlord and tenant legislation, property laws and building legislation recognising the nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Directors are responsible for the Directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

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

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

Daejan Retail Properties Limited

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

(continued)

Year ended 31 March 2022

Matters on which we are required to report by exception

Under the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and the returns; or
- certain disclosures of Directors' remuneration specified by law^a are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Daejan Retail Properties Limited

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

(continued)

Year ended 31 March 2022

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

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

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



Richard Kelly (Senior Statutory Auditor)

For and on behalf of
KPMG LLP
Chartered accountants & statutory auditor
15 Canada Square
London
E14 5GL

8 December 2022

Daejan Retail Properties Limited

Profit and Loss Account and Other Comprehensive Income

Year ended 31 March 2022

	Note	2022 £	2021 £
Turnover	4	3,498,114	3,384,070
Property outgoings		(732,741)	(687,935)
Gross profit		2,765,373	2,696,135
Administrative expenses		(520,302)	(106,407)
Net valuation gain/(loss) on investment property		68,252	(6,469,553)
Operating profit/(loss)	5	2,313,323	(3,879,825)
Interest receivable and similar income	6	2,701,705	3,242,000
Interest payable and similar expenses	7	(1,716,871)	(1,728,036)
Profit/(loss) before taxation		3,298,157	(2,365,861)
Tax on profit/(loss)	9	(626,347)	(709,520)
Profit/(loss) for the financial year and total comprehensive income		<u>2,671,810</u>	<u>(3,075,381)</u>

All the activities of the Company are from continuing operations.

The notes on pages 12 to 22 form part of these financial statements.

Daejan Retail Properties Limited

Balance Sheet

31 March 2022

	Note	2022 £	2021 £
Fixed assets			
Investment property	10	34,996,947	34,954,919
Current assets			
Debtors	11	86,669,467	85,863,685
Cash at bank and in hand		337,582	173,102
		<u>87,007,049</u>	<u>86,036,787</u>
Creditors: amounts falling due within one year	12	<u>(3,765,080)</u>	<u>(3,660,000)</u>
Net current assets		83,241,969	82,376,787
Total assets less current liabilities		118,238,916	117,331,706
Creditors: amounts falling due after more than one year	13	(66,332,805)	(68,110,002)
Provisions for liabilities and charges	14	(52,192)	(39,595)
Net assets		<u>51,853,919</u>	<u>49,182,109</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	<u>51,852,919</u>	<u>49,181,109</u>
Total equity		<u>51,853,919</u>	<u>49,182,109</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved by the board of directors and authorised for issue on 8 December 2022, and are signed on behalf of the board by:



B S E Freshwater
Director

Company registration number: 03087160

The notes on pages 12 to 22 form part of these financial statements.

Daejan Retail Properties Limited

Statement of Changes in Equity

Year ended 31 March 2022

	Called up share capital £	Profit and loss account £	Total £
At 1 April 2020	1,000	52,256,490	52,257,490
Loss for the year		(3,075,381)	(3,075,381)
Total comprehensive income for the year	–	(3,075,381)	(3,075,381)
At 31 March 2021	1,000	49,181,109	49,182,109
Profit for the year		2,671,810	2,671,810
Total comprehensive income for the year	–	2,671,810	2,671,810
At 31 March 2022	<u>1,000</u>	<u>51,852,919</u>	<u>51,853,919</u>

The notes on pages 12 to 22 form part of these financial statements.

Daejan Retail Properties Limited

Notes to the Financial Statements

Year ended 31 March 2022

1. General information

The Company is a company limited by shares, registered in England and Wales. The address of the registered office is Freshwater House, 158-162 Shaftesbury Avenue, London, WC2H 8HR.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland and the requirements of Companies Act 2006.

3. Accounting policies

Basis of preparation

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

The presentation currency of these financial statements is sterling.

The financial statements have been prepared under the going concern basis which the directors consider to be appropriate for the following reasons:

At the balance sheet date, the Company is in a net asset position.

High consumer price inflation, rising interest rates and potential new Covid-19 variants have had a negative impact on the macro economy and the particular market that the Company and the Daejan Holdings Limited group ("the Group") operates in. The directors have placed a particular focus on the Group's going concern assessment given the intercompany loans received and have considered the principal risks to the Group.

The directors have prepared the cash flow forecasts of the Group for at least twelve months from the date of approval of the financial statements. In this forecast, the directors have taken account of the implications of the negative economic factors detailed above which would impact the cash inflows and outflows. The directors have modelled a severe but plausible downside scenario in respect of the Group's cash flows and considered the likelihood of the Group's loan covenants being breached in the coming 12 months and remedy packages in the event that these covenants are breached. The result of this forecast indicates that in this scenario the Company cash needs are still within the available financial resources.

In preparing this forecast, the directors have taken into account the following key business risks and uncertainties:

- Market risks on demand and supply;
- Yield shift movements;
- Possible failure of tenants due to negative economic factors and reductions in net rental income; and
- Increased capital expenditure required to maintain the assets.

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Having taken into account the risks and uncertainties that exist within the business, the directors have concluded that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements and that there is no material uncertainty to this position, as the directors have a reasonable expectation that the Company has adequate resources under all plausible circumstance to continue in operational existence for the foreseeable future by meeting its liabilities and commitments as they fall due.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

Disclosure exemptions

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

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

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Turnover

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

Property outgoings

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

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

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit and loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

3. Accounting policies *(continued)*

Taxation

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

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

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

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

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

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

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

Investment property

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

Subsequent to initial recognition:

a) Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the profit and loss account in the period that they arise; and

b) No depreciation is provided in respect of investment properties applying the fair value model.

Investment property fair value is based on a valuation by an external independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

Sale of investment properties

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

Financial instruments

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

Basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other debtors

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

Trade and other creditors

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

Related party transactions

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

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

4. Turnover

Turnover arises from:

	2022	2021
	£	£
Rents receivable	3,011,339	3,068,169
Service charges receivable	486,775	315,901
	<u>3,498,114</u>	<u>3,384,070</u>

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

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2022	2021
	£	£
Fees payable for the audit of the financial statements	14,000	33,300
Bad debt write offs	–	58,237
Movement in provision for bad debts	<u>(32,674)</u>	<u>73,267</u>

Amounts receivable by the Company's auditor in respect of services to the Company, other than for the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent undertaking, Daejan Holdings Limited.

6. Interest receivable and similar income

	2022	2021
	£	£
Interest from group undertakings	2,700,000	3,242,000
Other interest receivable and similar income	1,705	–
	<u>2,701,705</u>	<u>3,242,000</u>

7. Interest payable and similar expenses

	2022	2021
	£	£
Interest on banks loans and overdrafts	<u>1,716,871</u>	<u>1,728,036</u>

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

8. Directors and employees salaries and remuneration

Directors received £145,500 in respect of their services to the Company (2021: £65,855). These costs are included within administrative expenses. Mr BSE Freshwater and Mr SI Freshwater are also directors of the ultimate parent company, Daejan Holdings Limited, and details of their remuneration are given in those financial statements. The other two directors received £65,000 each, which with associated National Insurance costs of £15,500 (2021: £5,855) total £145,500.

The staff provided by the property and administrative management company, Highdorn Co. Limited, are engaged under joint employment contracts with a fellow subsidiary of the Company and their costs subsequently recharged to the Company at a level appropriate to the activity of the Company. Recharges of £347,171 were made during the year (2021: £nil).

9. Tax on profit/(loss)

Major components of tax expense

	2022 £	2021 £
Current tax:		
UK current tax expense	614,823	783,795
Adjustments in respect of prior periods	(1,073)	12,927
Total current tax	<u>613,750</u>	<u>796,722</u>
Deferred tax:		
Origination and reversal of timing differences	92	(87,202)
Impact of change in tax rate	12,505	–
Total deferred tax	<u>12,597</u>	<u>(87,202)</u>
Tax on profit/(loss)	<u>626,347</u>	<u>709,520</u>

Reconciliation of tax expense

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Profit/(loss) on ordinary activities before taxation	<u>3,298,157</u>	<u>(2,365,861)</u>
Profit/(loss) on ordinary activities by rate of tax	626,650	(449,514)
Adjustment to tax charge in respect of prior periods	(1,073)	12,927
Effect of expenses not deductible for tax purposes	–	4,266
Effect of capital allowances and depreciation	–	(86)
Impact of change in tax rate	12,505	–
Other timing differences on unrealised gains	(11,735)	1,141,927
Tax on profit/(loss)	<u>626,347</u>	<u>709,520</u>

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

9. Tax on profit/(loss) *(continued)*

Factors that may affect future tax expense

Current tax has been calculated at 19%, the enacted corporation tax rate at 31 March 2022 and 2021. An increase to 25% from 1 April 2023 was enacted on 10 June 2021. Therefore, deferred tax balances have been calculated at 25%, the rate expected to apply when profits are realised.

10. Investment property

	Freehold property £	Long leasehold property £	Total £
Cost or valuation			
At 1 April 2021	32,529,919	2,425,000	34,954,919
Additions	(26,224)	–	(26,224)
Revaluations	68,252	–	68,252
At 31 March 2022	32,571,947	2,425,000	34,996,947
Carrying amount			
At 31 March 2022	32,571,947	2,425,000	34,996,947
At 31 March 2021	32,529,919	2,425,000	34,954,919

Investment property held at valuation

An independent professional revaluation of all of the Company's property was carried out on 31 March 2022 by Colliers International Property Advisers UK LLP, RICS Registered Valuers. The revaluation figures are based on open market value assessed in accordance with the RICS Valuation - Professional Standards (2022).

The aggregate professional valuations included in the above table have been reduced by an amount of £1,283,053 (2021: £1,405,080) relating to lease incentives included in debtors.

Valuation techniques and key inputs

The company's commercial units (£35 million (2021: £36.4 million)) were valued using the income capitalisation method, requiring the application of an appropriate market based yield to net operating income. Adjustments are made to allow for voids when less than five years are left under the current tenancy and to reflect market rent at the point of lease expiry or rent review. Equivalent yields used fell in the range 6.50% to 9.97% (2021: 6.51% to 10.02%) with an average of 7.32% (2021: 7.40%) and estimated rental values used fell in the range £1.75 to £33.73 per square foot (2021: £1.75 to £34.14 per square foot), with an average of £15.40 per square foot (2021: £15.75 per square foot).

Historical cost model

The historical cost of investment properties included in the above valuation is £31,848,733 (2021: £31,874,957).

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

11. Debtors

	2022	2021
	£	£
Trade debtors	1,895,814	1,968,105
Amounts owed by group undertakings	84,737,743	83,843,356
Other debtors	35,910	52,224
	<u>86,669,467</u>	<u>85,863,685</u>

All debtors are payable within one year or are payable on demand. All intra-group loans are sterling loans with interest paid at the rate of 3.22% (2021: 3.92%).

12. Creditors: amounts falling due within one year

	2022	2021
	£	£
Bank loans and mortgages	1,702,312	1,750,265
Rents and service charges charged and paid in advance	699,735	629,166
Corporation tax	614,823	783,795
Social security and other taxes	116,237	131,215
Other creditors	631,973	365,559
	<u>3,765,080</u>	<u>3,660,000</u>

All intra-group loans are sterling loans repayable on demand with interest paid at the rate of 3.22% (2021: 3.92%).

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

	2022	2021
	£	£
Bank loans and mortgages	<u>66,332,805</u>	<u>68,110,002</u>

The creditor falling due after more than one year is due to The Royal Bank of Scotland and it was refinanced in October 2018. It is repayable by instalments of £2 million per annum, with the remainder repayable by 22 October 2024. Interest is paid at rates based on LIBOR.

14. Provisions for liabilities and charges

	Deferred tax (note 15)
	£
At 1 April 2021	39,595
Credit for the year	92
Effect of change in tax rate	12,505
At 31 March 2022	<u>52,192</u>

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

15. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2022	2021
	£	£
Included in provisions for liabilities and charges (note 14)	<u>52,192</u>	<u>39,595</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022	2021
	£	£
Accelerated capital allowances	<u>52,192</u>	<u>39,595</u>

16. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

17. Reserves

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

18. Operating leases

As lessor

The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2022	2021
	£	£
Not later than 1 year	3,149,687	3,141,961
Later than 1 year and not later than 5 years	8,389,363	10,814,186
Later than 5 years	<u>2,483,861</u>	<u>5,515,316</u>
	<u>14,022,911</u>	<u>19,471,463</u>

19. Charges on assets

The Company's investment properties with a market value of £36,280,000 (2021: £36,359,999) at 31 March 2022 have been charged as part security for loans to group undertakings, which the Company has also guaranteed.

Daejan Retail Properties Limited

Notes to the Financial Statements *(continued)*

Year ended 31 March 2022

20. Related party transactions

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

In their capacity as property managing agents, Highdorn collect rents and incur direct property expenses on behalf of the Company. During the year £109,260 (2021: £103,270) was charged by Highdorn for the provision of a full range of management services, which were charged for at normal commercial rates. The credit balance outstanding in respect of these services at 31 March 2022 is £20,754 (2021: £17,989), which has been included in other creditors.

21. Controlling party

The Company is controlled by its immediate parent company, Daejan (UK) Limited, whose registered office is Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR.

The members of the Freshwater Family, as defined in the Daejan Holdings Limited annual reports, are considered to be the ultimate controlling party, being the ultimate controlling party of Daejan Holdings Limited, which is incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by Daejan Holdings Limited. Copies of these financial statement can be obtained from the following address: Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR. No other group financial statements include the results of the Company.

22. Accounting estimates and judgements

i. Property valuations

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

ii. Trade debtors

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