DAEJAN HOLDINGS PLC

Annual Report & Accounts 2015

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Contents

Chairman's Introduction

It gives me great pleasure to report on a year which has delivered record growth in overall net asset value. The net revaluation gain was £229.7 million, an increase of 92% on the previous year's gain (2014 – £119.6 million). The UK revaluation produced an uplift of 15.5% (2014 – 9%) while in the USA (in dollar terms) the figure was 13.4% (7.4%).

Net asset value per share has increased by 20.1% to £81.84 (2014 – £68.15).

Once again we have seen significant growth in the value of our properties in London and the South East. It is encouraging that values in other UK regions have also returned to growth.

In the UK this year's revaluation surplus includes a total of some £77.0 million arising from increases in the value of Africa House, WC2 following completion of letting and in the value of The Strand Palace Hotel following a successful rent review. For the immediate future however it is likely that increases in the rental income and capital values of these major properties will be more modest, in line with the market as a whole.

In the USA, yield compression and improved net operating income have contributed to increases in values throughout our portfolio.

Board

In November 2014 we welcomed to the Board Mr Aaron "Mendy" Bude, who joined us as a non-executive director. Mr Bude is a founding partner of Bude Nathan Iwanier, a firm of solicitors specialising in property matters.

Dividend

A strong year's results and confidence in the future provide a sound basis for your Board to propose an increase in the total dividend of 6p to 88p (2014 – 82p).

Outlook

Last year I began my comments on the outlook with a word of caution; this year too, albeit against a positive background, I must strike a cautionary note. Whilst the general election result has dispelled from the immediate horizon threats of rent regulation and changes to the AST regime, a new cloud has appeared. The referendum on the UK's membership of the European Union (EU), which will take place sometime in the next two years, introduces an unwelcome element of uncertainty into the market. London benefits from its status as an internationally orientated city within the EU and it is likely that any change to this position would have an adverse impact on demand for office space.

The present crisis in Greece risks delaying economic recovery within the Eurozone which is the UK's principal trading partner.

At present our business is benefitting from a favourable combination of low interest rates, low inflation and positive economic growth. We know from experience that these factors are cyclical and will in due course start to reverse. In particular the unusually low interest rates we have seen in recent years may eventually start their movement back to more normal levels. Property investment yields continue to be compressed but this trend may also start to unwind.

Nevertheless the overall outlook for the coming year remains positive with continued steady economic growth in both the UK and the USA. We will continue with the pursuit of our objective of long term, low risk growth in net asset value and we have confidence that this approach will deliver another successful year.

Sincere thanks must go to those whose endeavours have helped to deliver these results.

B S E Freshwater
Chairman

Above:
Freshwater House,
Shaftesbury Avenue,
London WC2.
Right:
Africa House,
70 Kingsway,
London WC2.

Financial Highlights

VALUATION GAIN

£229.7 million

(2014: £119.6 million)

PROFIT BEFORE TAX

£271.9 million

(2014: £164.5 million)

EARNINGS PER SHARE

£13.68

(2014: £9.19)

SHAREHOLDERS' FUNDS

£1,333.6 million

(2014: £1,110.5 million)

SHAREHOLDERS' FUNDS PER SHARE

£81.84

(2014: £68.15)

GEARING

16.4%

(2014: 17.6%)

PROPOSED TOTAL DIVIDEND PER SHARE

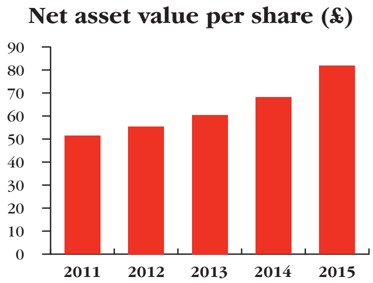
88p

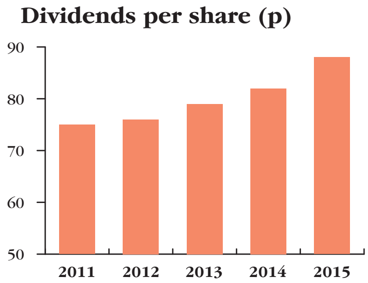
(2014: 82p)

Strategic Report

Objectives

For many years we have been single minded in the pursuit of the Group's objective of achieving long term, low risk growth in net asset value and in prudently growing our rental income and dividends.





Strategy

Our strategy for achieving our objectives has three principal elements:

- Management of our property portfolio to maximise net rental income and thereby enhance capital values
- Identification and completion of value enhancing development opportunities within our portfolio
- Identification and completion of new property acquisitions which have the potential, through development or otherwise, for long term enhancement to net asset value

In pursuing this strategy we take the view that property is a long term business which does not always fit conveniently into the annual reporting cycle. Development opportunities, in particular, can take many years from first idea to first letting and will often involve substantial investment over a period of years before any gain is achieved. We carefully monitor our exposure to ensure that the impact on our resources remains manageable.

Business model

The main activity of the Group, as carried on through its subsidiary companies, is investment in commercial, industrial and residential property in the UK and also on the eastern seaboard of the USA. The Group 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.

The Group operates a substantially outsourced business model. Day to day management of the Group's properties in the UK is carried out by Highdorn Co. Limited and Freshwater Property Management Limited. These companies also provide the staff who carry out all of the UK functions of the Group. Further details of the relationship with these companies are set out in Note 17 to the financial statements.

Similar arrangements with local managing agents operate in the USA.

Managing risk

Whilst retaining an entrepreneurial culture, the Group has a low appetite for risk. This underpins our approach to all aspects of the business and is appropriate to our strategic objective of delivering long term, low risk growth in net asset value per share.

In relation to financial instrument risk, the Group operates a cautious financial policy on a non-speculative and long term basis in order to enable the Group to carry on its business in confidence and with strength. The Group aims to ensure that the cost of capital is kept to a minimum through

Above and right: *164 Shaftesbury Avenue, London WC2.*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Strategic Report *(continued)*

the maintenance of its many long standing relationships with leading banks and other financial institutions. The Group seeks to minimise the risk of sudden or unexpected rises in finance costs by way of fixed rate debt and financial derivative instruments whilst retaining some flexibility in relation to short term interest rates. As explained in Note 1(g) to the financial statements, the Group does not hedge account. Note 16 to the financial statements details the Group's exposure to the various financial instrument risks.

Managing risk has been central to the success of the Group over many years and in particular gearing has been kept at a relatively low level for the property industry; currently gearing is 16.4%.

The Board recognises that, in common with all companies, it can only have limited control over many of the external risks which it faces. The largest of such "uncontrollable" factors is the economic cycle which has a major impact on the demand for and price of property and the ability of the Group to achieve its strategic objectives.

The principal risks facing the Group are described in the following paragraphs together with the steps which are taken to mitigate and manage them.

External risks

Economic outlook

In both the UK and the USA overall economic growth now seems to be more firmly established. In the UK, conditions remain supportive of steady growth although this is not the case in every region and in all sectors. Low inflation rates and modest growth in wages have improved consumer confidence. However the prospect of a referendum on the UK's membership of the EU in the next two years has introduced an unwelcome element of uncertainty. The present crisis in Greece risks an economic slowdown in the Eurozone, which is the UK's principal trading partner.

This is the background which provides both opportunities and risks for our residential tenants and for the businesses of our commercial tenants and their demand for space.

We seek to mitigate and manage such risk by:

- Continuous monitoring of the economic outlook
- Continued maintenance of low gearing
- Rigorous tenant covenant checks including independent assessments for major lets. In the case of smaller properties we undertake such checking as is appropriate

Availability of finance on acceptable terms

The UK property finance market has shown positive development with a greater availability of debt finance at lesser margins and an improving appetite for risk.

Nevertheless any reduction in the availability of finance for property at an acceptable cost and for an appropriate period would adversely affect the Group's ability to undertake acquisitions and major schemes of redevelopment and refurbishment.

We seek to mitigate and manage this risk by:

- Monitoring funding trends and the development of banking regulations
- Sustaining relationships with our principal financing partners, both banks and other lending institutions
- Ensuring that the maturities of major loan arrangements are spread over a period of years

Movements in currency rates of exchange

With over 20% by value of the Group's property portfolio located in the USA, the Group is at risk from adverse movements in the sterling/dollar exchange rate.

Above and right:
Oxford Street,
London W1.


CALZEDONIA
Victoria 73

Strategic Report *(continued)*

We mitigate and manage this risk by:

- Funding US assets by US dollar borrowings and local retained earnings. This means that the impact of movements in the exchange rate is limited to accounting adjustments in the Group's consolidated accounts. The overall impact on the results for the current year is immaterial; an accounting gain of £13.7 million arises in reserves on the re-translation of the opening net book value of assets in the USA

Regulation

Regulations aimed at the control of residential rental levels or shorthold tenancy arrangements could have an adverse impact on the Group. Similarly increased regulation on environmental matters could impose additional costs.

We seek to mitigate and manage this risk by:

- Careful monitoring of developments in legislation with the help of our professional advisers

Catastrophic events

The operations of the Group could be adversely affected by a significant catastrophe such as fire, cyber-attack, civil disturbance or terrorism which could result in the loss of any of our principal buildings or offices and the records therein.

We seek to mitigate and manage this risk by:

- Insuring buildings with third parties
- Physical building security
- Fireproof storage of leases and other documents of title
- Dispersal of business critical IT systems

Tenant default

Tenant default constitutes a risk to income and, ultimately, to capital value. The multi-tenanted nature of the portfolio, with rental income derived from numerous properties, provides a natural measure of protection against the risk of individual default.

In addition, we seek to mitigate and manage this risk by:

- Seeking tenants with strong covenants
- Credit checks on new tenants including independent assessments for major lets
- Careful monitoring of tenants showing signs of financial stress

Internal risks

Regional concentration in UK portfolio

Within the UK the majority of our properties are situated in and around the London area. In recent years the increase in value of our UK portfolio has been almost entirely derived from the London

Opposite page and below:
Beacontree Plaza, Reading, Berkshire.

Strategic Report *(continued)*

area which has enjoyed a period of well publicised growth. Any slowdown in the London market could significantly reduce the net annual revaluation uplifts in the UK portfolio. Changes in aggregate property value have a direct impact on the net worth of the Group.

We seek to mitigate and manage this risk by:

- Continuing to invest in the USA
- Regular monitoring of the property market for opportunities not just in London but throughout the UK
- Regular professional revaluations by our independent surveyors in the UK and USA

Acquisitions

The Group seeks well priced acquisitions which will meet the strategic objective of adding long term, low risk growth in net asset value. There is a risk that an inappropriate or ill-judged acquisition could destroy value.

We seek to mitigate and manage this risk by:

- Rigorous pre-acquisition screening of all buying opportunities and appropriate due diligence

Development

The Group continues to seek development opportunities principally from within the portfolio and also elsewhere. Development provides an opportunity to enhance income and net asset values but carries risk as to planning, construction timing, costs and letting.

We seek to mitigate and manage these risks by:

- Rigorous screening of all development opportunities including external professional advice and, where appropriate, market research
- Focusing on a limited number of developments at any one time
- Close monitoring of active developments

People

The Group relies heavily on the involvement of key directors in both strategic and day-to-day affairs. Loss of this involvement could be disruptive to business.

Above & right:
Strand Palace Hotel,
The Strand,
London WC1

We have sought to mitigate and manage this risk by:

- The appointment of two new directors from the next generation of the Freshwater family
- The appointment of Mr Aaron "Mendy" Bude as a new non-executive director

Investment properties

A professional valuation of all of the Group's properties was carried out at 31 March 2015. The UK properties were valued by Colliers International, Chartered Surveyors. In the USA, properties were valued by Joseph J. Blake and Associates Inc. and Metropolitan Valuation Services Inc. both of which are Certified General Real Estate Appraisers.

The table below shows a summary of the valuation of our investment property at 31 March 2015:

	Valuation March 2015 £m	Percentage change in year
Commercial property		
UK	**850.1**	**+22.4%**
USA	**52.7**	**+24.6%**
Residential property		
UK	**594.4**	**+13.4%**
USA	**365.4**	**+26.2%**
Total	**1,862.6**	**20.2%**

This year the percentage change in the valuation of our USA properties shown above has been significantly increased in sterling terms as a result of changes in currency rates of exchange. In underlying dollar terms our USA commercial property increased by 12.8% and our USA residential property by 14.0%.

Whilst the percentage changes shown above are, in the main, attributable to net surpluses arising on revaluation they also include movements resulting from purchases, capital expenditure, disposals and, as mentioned above, changes in currency rates of exchange. This is shown in the analysis overleaf:

Above and left:
Apple offices,
90 Hills Road,
Cambridge.

Strategic Report *(continued)*

	2015	2014
	£m	£m
Opening valuation	**1,546.7**	1,407.5
New acquisitions	**35.0**	26.1
Additions to existing properties	**8.4**	21.7
Disposals	**(4.7)**	(1.8)
	1,585.4	1,453.5
Revaluation gain	**229.7**	119.6
Foreign exchange gain/(loss)	**40.1**	(26.4)
Closing valuation*	**1,855.2**	1,546.7

*In this table and in the financial statements, the total valuation of £1,862.6 million (2014 – £1,550.2 million) has been reduced by an amount of £7.4 million (2014 – £3.5 million) relating to lease incentives, as required by accounting standards – see Note 9 to the consolidated financial statements.

Overall the net UK valuation surplus is 15.5% (2014 – 9.0%). We have seen a continuation of the trend of recent years with residential property values in London, particularly Central London showing significant growth. There has also been more modest growth in the regions. Our UK commercial portfolio increased by £154.0 million and of this total £94.0 million arose from the active management of a small number of major properties:

- Africa House: following successful redevelopment and completion of letting to a single tenant.
- Strand Palace Hotel: following the settlement of a long running rent review.
- Cromlech House: reflecting work done to improve development potential.

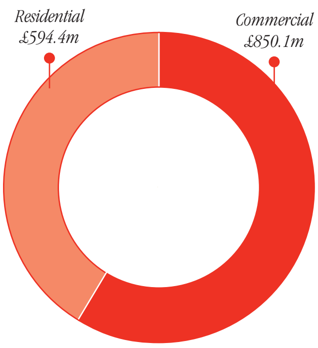
We continue to see weakness in the values of some provincial offices and elements of our care home portfolio.

Our USA properties have produced a revaluation uplift in dollar terms of 13.4% which is significantly more than the previous year (2014 – 7.4%). This growth has been evident throughout our portfolio with those properties in New York once again doing particularly well. Improvements in net operating income, yield compression and specific local factors have all contributed to the revaluation gain.

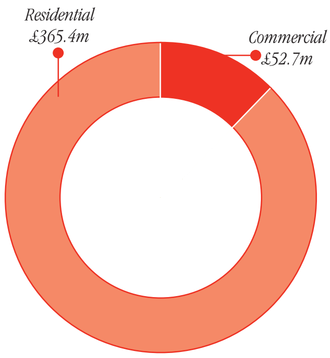
Above and right:
Langlands House,
Harlow, Essex.

Analysis by property type

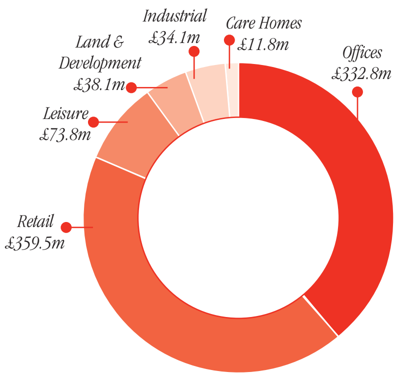
Property UK



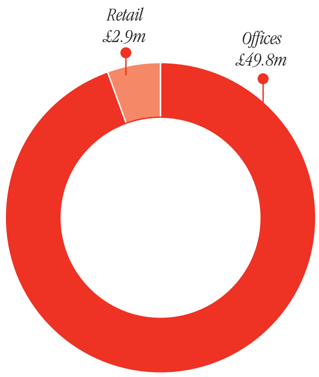
Property USA



Commercial Property UK

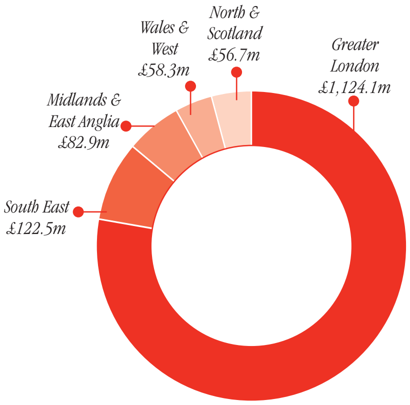


Commercial Property USA

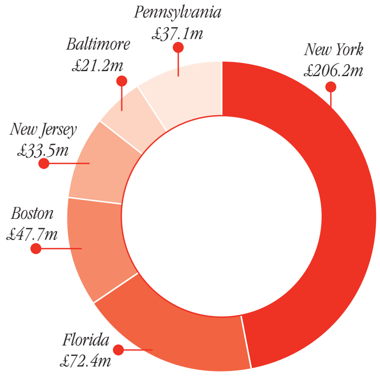


Analysis by location

UK Valuations



USA Valuations



Acquisitions

We have over many years accumulated a major property holding at the eastern end of Oxford Street, W1, close to the new Crossrail station. This year we completed the acquisition of the final property providing us with a substantial contiguous holding with frontages on Oxford Street, Berwick Street and Wardour Street. This area has significant potential for increases in rental value arising from improved transport links following completion of Crossrail which is scheduled for 2018/19.

Results for the year

The profit before taxation for the year ended 31 March 2015 amounts to £271.9 million (2014 – £164.5 million). The result includes a net valuation gain of £229.7 million arising on investment properties (2014 – £119.6 million).

The table below shows the performance of our core rental business before and after valuation movements:

	2015 **£m**	2014 £m
Total rental and related income from investment property	**129.0**	112.2
Property operating expenses	**(70.1)**	(68.8)
Net rental and related income from investment property	**58.9**	43.4
Profit on disposals of investment property	**12.0**	11.3
Administrative expenses	**(11.8)**	(10.5)
Net operating profit before net valuation gains	**59.1**	44.2
Net valuation gains on investment property	**229.7**	119.6
Net financing (expense)/income	**(16.9)**	0.7
Profit before taxation	**271.9**	164.5

Total rental and related income from investment property has benefitted by a total of £8.8 million in respect of rental arising on Africa House since completion of letting in July 2014, from the increased rental on The Strand Palace Hotel and a full years rental arising from Bucks Landing, a USA property acquired late in the last financial year. In addition, prior years rent on The Strand Palace Hotel totalling £7.9 million has also been included following agreement of the rent review.

Above and left:
Marsh Wall,
London E14.
Opposite page:
611 West 158th Street, Manhattan, New York.

Strategic Report *(continued)*

Our programme of refurbishment and re-letting vacant residential units has continued to produce increases in the rent roll. Within the remainder of the UK portfolio overall rental income has remained broadly flat with increases being offset by commercial vacancies and difficult operating conditions at some of our care homes.

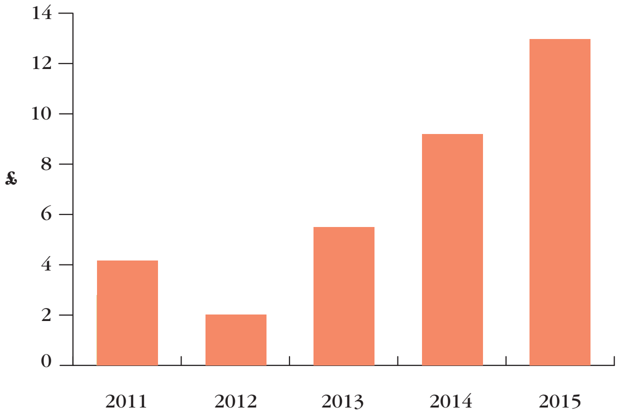
The USA has seen general rental growth and improvement in letting.

As in recent years, the profits on disposal are almost entirely derived from leasehold extensions and enfranchisements in the UK.

Reductions in expectations for future interest rates have produced negative fair value movements of £5.5 million (2014 – £11.1m gain) relating mainly to fixed rate loans. Net interest costs increased in the year by £1.1 million.

Earnings per share

This year has seen continued growth in earnings per share which now stands at £13.68.



Underlying profit

The profit reported in the financial statements has for some years included property revaluation movements and fair value adjustments to financial instruments. In addition to this measure of performance we also focus on "underlying profits" which do not include these valuation items. Underlying profits for the last two years are set out below:

	2015 **£m**	2014 £m
Profit before tax per the income statement	271.9	164.5
Property valuation surplus	(229.7)	(119.6)
Financial instruments fair value adjustments	5.5	(11.1)
Adjustment to measurement of disposal profits	1.7	1.2
Underlying profit before tax	49.4	35.0

Underlying profit represents that element of our reported results which has actually been realised and is not dependent on valuation judgements. It represents the performance of our core rental business together with disposal profits which tend to fluctuate from year to year. This year's underlying profit includes the prior year rental of £7.9 million arising from The Strand Palace Hotel rent review which will not recur in future years.

It is our underlying profit which generates the cash we use to re-invest in the business and to pay dividends and taxes.

Gearing

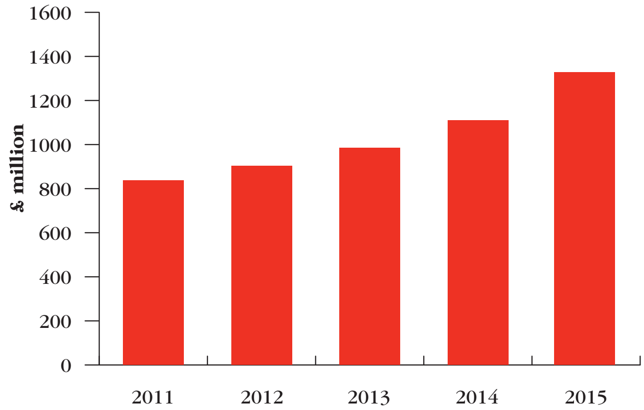
Gearing, the ratio between our borrowings and the value of our total assets, is 16.4% (2014 – 17.6%) for the Group as a whole. In the UK the ratio is 8.3% whilst in the USA, where each property is financed separately on a ring-fenced basis, it is 42%.

It has long been fundamental to our strategic approach to avoid the higher level of risk which is associated with excessive levels of gearing.

It is Group policy to maintain cash deposits and undrawn facilities at levels which will enable a swift reaction when opportunities arise. At 31 March 2015 cash deposits amounted to £52.3 million (2014 – £59.1 million) and undrawn facilities were £48.8 million (2014 – £35.0 million).

Shareholders' funds

At 31 March 2015 shareholders' funds amounted £1,333.6 million, an increase of 20% on last year's figure of £1,110.5 million. Shareholders' funds have grown in recent years as follows:



Dividend

The proposed total dividend for the year of 88p per share represents an increase of 7.3% (2014 – 82p).

Outlook

In his introduction on page 2 the Chairman has set out the general political and economic issues which provide the background against which the business will be conducted in the coming year. Within the business our focus will continue to be the enhancement of our overall rent roll in order to increase both income and capital growth.

Opposite page, above and left:
25 Worship Street, London EC2.

Strategic Report *(continued)*

In the UK we are actively considering a number of significant schemes of redevelopment which we hope to bring to fruition over the coming years. The most advanced of these schemes is the development of a 395 bed hotel for Travelodge on our Cromlech Street site on the eastern fringes of the City of London which is likely to commence in the coming year.

Shortages of both residential and office accommodation in central London are likely to ensure that market prices will show continued growth. It is to be hoped that signs of upward movement in property values outside London and the South East will continue as local markets benefit from the general growth in business activity.

Commercial properties in smaller provincial towns and cities continue to suffer from weak demand and increased vacancy rates. It remains an on-going challenge to establish revenue generative uses for such properties.

In the USA we continue to seek suitable acquisition opportunities and to re-finance existing properties on more advantageous rates. It is a very competitive market with many buyers seeking similar opportunities, but we are rigorous in our approach and prepared to take time to select the right transactions where we can identify opportunities to enhance rental income and capital value.

Employees

As mentioned above, day-to-day activities are outsourced to management companies who are responsible for the provision of the services of the staff on which we rely to run the business. As part of the arrangements with the management companies in the UK, those individuals engaged on the Group's affairs hold joint employment contracts but the management companies retain sole responsibility for setting recruitment, employment, training, health and safety, diversity and human rights policies for their staff. Whilst the Group supports and encourages good practice in all of these areas, detailed responsibility for the establishment and execution of such policies lies with the management companies. As a result, this report does not contain the kind of information mentioned in The Companies Act 2006 s414C (7)(b)(ii) and (iii).

So far as health and safety is concerned, the Board recognises the importance of ensuring that our properties provide a safe and healthy environment for all users. With this in mind the Board has requested that the management companies ensure that:

- All its employees receive appropriate training in the identification and management of health and safety risks. Every employee is required to be familiar with health and safety policies and has responsibility for ensuring that they are followed in their area of work
- Regular cyclical risk assessments are undertaken by external consultants on all properties for which the Group has responsibility. A dedicated team is tasked with resolving issues raised by such assessments and with monitoring policy compliance

An annual presentation is made to ensure that awareness of the importance of this issue continues at the highest level within the Group.

All Directors of the Company are male and no new recruitment to the Board is planned which would cause this to change in the near future.

Community

The Group has long recognised the importance of supporting the communities in which we operate. Many companies encourage and facilitate their employees to donate their time and efforts to community projects; because our staffing is outsourced this route is not available to us. Our support therefore takes the following forms:

- Donations, largely to educational charities; this year the donations amounted to £150,000 (2014 – £150,000)

Above:
611 West 158th Street, Manhattan, New York.

- Dividends on donated shares; following the donation some years ago to charities of shares representing 6.3% of the capital of the Company, dividend payments in the year of £847,000 (2014 – £919,000) have passed to charitable companies

Environment

As mentioned above, all the staff engaged in the business and who control our buildings are provided by management companies. We do not have responsibility for the greenhouse gas emissions related to the employment of those people. The green house gas emissions arising from our let properties are the responsibility of our tenants.

In consequence, we have no disclosures to make in relation to greenhouse gas emissions and therefore this report does not contain information of the kind mentioned in the Companies Act 2006 s414C (7)(b)(i).

However, when we undertake new developments or major schemes of refurbishment we strive to achieve the highest environmental standards consistent with the nature of the building and the scheme being undertaken. For example Africa House, our most recently completed major scheme, achieved a BREEAM excellent rating and included environmental features such as a bio-mass boiler, rainwater harvesting, bio-diverse planting and facilities to encourage cycling to work.

The scope for enhancing the environmental standards across the majority of our properties is limited. In the main they were constructed before the advent of modern standards and it would be neither practically nor economically feasible to undertake a complete upgrade to meet modern requirements. However, we do take the opportunities which arise each year as part of programmes of repair and refurbishment to improve the energy efficiency of our buildings and the plant therein.

During the year we were pleased to receive a Gold Award from the British Council of Shopping Centres for the quality of the improvements undertaken at our retail centre in Newton Aycliffe, County Durham.

By order of the Board

M R M Jenner
Company Secretary

Top & left:
Award winning Aycliffe Town Centre, Newton Aycliffe, County Durham.

Directors' Report

Strategic Report

The Company's Strategic Report for the year ended 31 March 2015 is set out on pages 4 to 19 and contains the following information:

- The principal activities of the Group
- The business review of the Group
- An indication of the future developments of the Group
- The risks and uncertainties facing the business, including those relating to financial instruments
- Greenhouse gas emissions disclosure

Results and Dividend

The profit for the year amounted to £223.0 million (2014 – £150.2 million). An interim dividend of 35p per share was paid on 6 March 2015 and the Directors now recommend the payment of a final dividend of 53p per share, making a total for the year of 88p per share (2014 – 82p per share).

The dividend will be paid on 13 November 2015 to shareholders on the register on 16 October 2015.

Directors

The Directors who served throughout the year, unless as indicated below, and who are still in office, are:
Mr B S E Freshwater
Mr A E Bude (appointed 25 November 2014)
Mr D Davis
Mr S I Freshwater
Mr R E Freshwater
Mr A M Freshwater (USA)

The Company is, for the first time, required to comply with new provisions of the UK Listing Rules introduced this year relating to controlling shareholders and the election and re-election of independent non-executive directors of the Company. Mr Aaron Bude having been appointed to the Board in November 2014 will stand for election to the Board at the Annual General Meeting but will require approval from a majority vote of both;

i) the shareholders of the Company; and

ii) the independent shareholders of the Company (that is the shareholders of the Company entitled to vote on the election of directors who are not controlling shareholders of the Company).

Mr Bude is the Senior Partner in Bude Nathan Iwanier (BNI), a law firm which undertakes certain specialist property work for the Group from time to time receiving fees not exceeding £80,000 in any year. No formal contracts between BNI and the Company exist and Mr Bude is not personally involved in any of the professional work or advice provided to the Group.

Brief biographies of the Directors are as follows:

Mr B S E Freshwater. Aged 67 – Joined the Board in December 1971 with primary responsibility for the Group's finances. In July 1976 he was appointed Managing Director and, additionally, became Chairman in July 1980.

Mr A E Bude. Aged 61 – Is the senior partner of law firm Bude Nathan Iwanier specialising in property law. Mr Bude is an independent non executive director having been appointed to the Board in November 2014.

Mr D Davis. Aged 80 – Previously a partner in Cohen Arnold, the Group's consulting accountants. He relinquished his partnership in 1971 in order to devote more time to his numerous business and other interests. He has been a non-executive Director of the Company since December 1971.

Mr S I Freshwater. Aged 64 – Directs the Group's operations in the USA and also has responsibility for the Group's UK sales division. He has been a Director of the Company since January 1986.

Mr R E Freshwater. Aged 45 – He is currently pursuing an academic career and lectures to graduate students. He is an actual and a potential beneficiary of trusts and a trustee of certain other trusts with substantial holdings of the Company's equity. He was appointed to the board in 2010.

Mr A M Freshwater. Aged 44 – He is resident in the UK and sits as an Arbitrator in complex commercial disputes. He is a potential beneficiary of trusts and a trustee of certain other trusts with substantial holdings of the Company's equity. He was appointed to the board in 2010.

The rules governing the election and re-election of Directors are set out in the Corporate Governance Report on page 29. The powers of Directors of the Company are as set out in the Company's articles of association. During the year, the Company did not purchase any shares.

Directors' Interests in Transactions

Day-to-day management of the Group's properties and its operations in the UK is mainly carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies. They have no beneficial interest in the share capital of Highdorn Co. Limited. Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis are also Directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company. Mr R E Freshwater has a beneficial interest in a trust holding interests in shares in Highdorn Co. Limited.

Details of the amounts paid for the provision of these services are set out in Note 17 to the financial statements.

Directors' Report *(continued)*

Share Capital and Substantial Directors' and other Shareholdings

The structure of the Company's share capital, including the rights and obligations attaching to the shares, is given in Note 13 to the financial statements.

Directors' interests in the share capital of the Company are as follows:

		Daejan Holdings PLC Ordinary Shares	
		31 March 2015	31 March 2014
A E Bude		**–**	–
D Davis	(Notes 2 & 3)	**763**	763
B S E Freshwater	(Notes 1, 2, 3 & 4)	**340,033**	340,033
S I Freshwater	(Notes 2, 3 & 4)	**89,270**	89,270
R E Freshwater	(Notes 2 & 3)	**–**	–
A M Freshwater	(Notes 2 & 3)	**–**	–

Notes:

1. All the above holdings were beneficially owned. Mr B S E Freshwater's shareholding represents 2.1% of the issued share capital of the Company.
2. A further 2,908,116 shares (2014 – 2,908,116) representing 17.8% of the issued share capital of the Company were held by Freshwater family trusts and by charitable companies in which Mr B S E Freshwater, Mr S I Freshwater, Mr D Davis and Mr A M Freshwater have no beneficial interest. Mr S I Freshwater and Mr A M Freshwater are trustees of a trust which owns 250,000 shares representing 1.5% of the issued share capital of the Company. Mr R E Freshwater has a beneficial interest in certain trusts referred to in this Note 2 which together hold 326,294 shares, representing 2.0% of the issued share capital of the Company.
3. In addition to the holdings shown in the table and in Note 2 above, companies owned and controlled by Mr B S E Freshwater, Mr S I Freshwater, their families and family trusts, held at 31 March 2015 a total of 7,876,431 shares (2014 – 7,876,431) representing 48.3% of the issued share capital of the Company. Mr D Davis and Mr A M Freshwater have a non-beneficial interest in some of these shares, either as a Director of the companies concerned, or as a trustee. Mr R E Freshwater has a beneficial interest in certain trusts included in this Note 3 which indirectly have interests in 3,774,853 shares, representing 23.2% of the issued share capital of the Company.
4. Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.

Included in Notes 2 and 3 above are the following holdings at 31 March 2015, each amounting to 3% or more of the Company's issued share capital:

	Shares	%
Henry Davies (Holborn) Limited	1,934,090	11.9
Trustees of the S I Freshwater Settlement	1,560,000	9.6
Distinctive Investments Limited	1,464,550	9.0
Quoted Securities Limited	1,305,631	8.0
Centremanor Limited	1,000,000	6.1
Mayfair Charities Limited	565,000	3.5
Tabard Property Investment Company Limited	500,000	3.1

In addition, the Company has been notified of the following substantial interests in its issued share capital at 31 March 2015:

	Shares	%
Valand Investments Limited	1,000,000	6.1
Silda 2 Limited	705,000	4.3

The Company is not aware of any changes to any of the above interests from 31 March 2015 up to the date of signing this report.

Relationship agreement with controlling shareholders

Any person who exercises or controls on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at general meetings of a company are known as 'controlling shareholders'. The Financial Conduct Authority's Listing Rules require companies with controlling shareholders to enter into a written and legally binding agreement which is intended to ensure that the controlling shareholder complies with certain independence provisions. The agreement must contain undertakings that:

(a) transactions and arrangements with the controlling shareholders (and/or any of their associates) will be conducted at arm's length and on normal commercial terms;

(b) neither the controlling shareholders nor any of their associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and

(c) neither the controlling shareholders nor any of their associates will propose or procure the proposal of a shareholder resolution which is intended to circumvent proper application of the Listing Rules.

The Board confirms that in accordance with the Listing Rules, on 14 November 2014, the Company entered into such an agreement with

Centremanor Limited
Linnet Limited
Highdorn Co. Limited
B S E Freshwater
S I Freshwater
D Davis
R E Freshwater
A M Freshwater

who together with their related companies and trusts comprise controlling shareholders of the Company with a combined total holding of approximately 79.5% of the Company's voting rights.

The Board confirms that, since the entry into the Relationship Agreement on 14 November 2014 until 23 July 2015, being the latest practicable date prior to the publication of the annual report and accounts

(1) the Company has complied with the independence provisions included in the Relationship Agreement;

(2) so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by all of the other parties to the Relationship Agreement and their associates and;

(3) so far as the Company is aware, the other parties to the Relationship Agreement have procured compliance with the independence provisions in the Relationship Agreement by their related companies and their associates.

Directors' Report *(continued)*

Corporate Governance

This report combines by reference the Corporate Governance Report on pages 29 to 32, which includes a statement on going concern, and the Directors' Remuneration Report on pages 25 to 28.

Change of Control

Part 6 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires the Company to identify those significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid and the effects of any such agreements.

The Group has seven bank loan and mortgage facilities which contain change-of-control clauses. Five of these facilities require the prior written consent of the lender to a change of control over the parent company, without which such change of control would constitute an event of default. A change of control under the remaining two facilities would similarly constitute an event of default but no provision is made for the prior written consent of the lender. At 31 March 2015, these facilities represented £125.1 million (2014 – £118.5 million) of the loans and borrowings in the financial statements and all of the undrawn facilities (£48.8 million, 2014 – £35.0 million).

Auditor

The Company's auditor, KPMG LLP, has expressed its willingness to continue in office. In accordance with Section 489 of the Companies Act, a resolution for the appointment of KPMG LLP as auditor of the Company, and to authorise the Directors to determine its remuneration, is to be proposed at the forthcoming Annual General Meeting.

Statement of Disclosure of Information to the Auditor

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

By order of the Board

M R M Jenner
Secretary

23 July 2015

Directors' Remuneration Report

Directors' Remuneration Policy

Set out below is our remuneration strategy and policy together with other relevant information about the terms and conditions applicable to executive Directors of the Group:

1. Overview

Our remuneration strategy is designed to be simple and transparent. In setting levels of remuneration it is important to:

- Reflect the interests and expectations of shareholders and other stakeholders
- Take account of pay and employment conditions of employees in the Group
- Reward the sustained growth and profitability of the business
- Encourage management to adopt a level of risk which is in line with the risk profile of the business as approved by the board
- Ensure there is no reward for failure by having no entitlement to compensation for loss of office

2. Executive Directors' potential remuneration

Executive Directors receive basic pay only. There are no bonus or incentive schemes in operation or any form of share option scheme or long term incentive plan. The executive Directors are incentivised by their substantial interests in family shareholdings which more directly align their interests with shareholders generally.

3. Strategy

Purpose

The salary is set to be competitive, relative to other companies operating in the same sector.

Annual review

A review of executive Directors' salaries is carried out each year once the results for the year are known and with reference to a comprehensive peer group of similar companies.

The annual review takes into consideration:

- Individual responsibilities, experience and performance
- Salary levels for similar positions in comparable businesses
- The level of pay increases awarded to staff whose services are provided by management companies
- Economic and market conditions
- Overall performance of the business

There is no overall limit to maximum increases save as to comply with the strategy outlined above.

Directors' Remuneration Report *(continued)*

Shareholder views

The Company welcomes the views of its significant shareholders on remuneration and if received these would be taken into consideration when next reviewing salaries.

4. Benefits

There are no additional benefits granted to any Director over and above basic pay.

5. Pension

The Group does not operate a pension scheme for the Directors and therefore they do not receive either pension contributions or entitlement to pension benefits as part of their remuneration by the Group.

6. Recruitment and executive Directors

No new appointments of executive Directors have been made for a number of years but if an appointment was made, salary would take into account market data for the relevant role, the individual's experience and the responsibilities expected of them.

7. Service contracts

No Director has a service contract. Company policy is to employ executive Directors at will, with no contractual entitlement to compensation for loss of office. Mr B S E Freshwater has served as a Director since 1971 and Mr S I Freshwater has served as a Director since 1986.

The non-executive Directors are not appointed for a fixed term but are subject to periodic reviews. Mr D Davis was appointed in 1971, Mr R E Freshwater and Mr A M Freshwater were appointed in 2010 and Mr A E Bude was appointed in 2014. They are all remunerated by a fixed Director's fee.

Annual Report on Remuneration

This section describes all payments to Directors in connection with the year under review and how the Remuneration Policy will be applied over the next three years. KPMG LLP have audited this section of the report to the extent required by legislation.

Total remuneration

Details of each individual Director's remuneration are set out below on an accruals basis:

2015	Salary £	Benefits £	Performance pay £	Long term performance pay £	Pension contributions £	Total £
Mr B S E Freshwater	1,000,000	–	–	–	–	1,000,000
Mr A E Bude	7,077	–	–	–	–	7,077
Mr D Davis	20,000	–	–	–	–	20,000
Mr S I Freshwater	1,000,000	–	–	–	–	1,000,000
Mr R E Freshwater	20,000	–	–	–	–	20,000
Mr A M Freshwater	20,000	–	–	–	–	20,000
	2,067,077	–	–	–	–	2,067,077

Comparative table

2014	Salary £	Benefits £	Performance pay £	Long term performance pay £	Pension contributions £	Total £
Mr B S E Freshwater	870,000	–	–	–	–	870,000
Mr D Davis	20,000	–	–	–	–	20,000
Mr S I Freshwater	820,000	–	–	–	–	820,000
Mr R E Freshwater	20,000	–	–	–	–	20,000
Mr A M Freshwater	20,000	–	–	–	–	20,000
	1,750,000	–	–	–	–	1,750,000

Changes in the year

Mr D Davis is the senior non-executive Director with responsibility for recommending executive Directors' remuneration, which is subsequently approved by the full board.

Mr BSE Freshwater received an increase in basic salary of £130,000 per annum during the year (2014 – £50,000), equivalent to 14.9% (2014 – 6.1%) and Mr SI Freshwater received an increase in basic salary of £180,000 per annum during the year (2014 – £50,000), equivalent to 22.0% (2014 – 6.5%). Both of these increases were agreed at a meeting of the full Board, but at which the executive Directors did not participate in the discussion or decisions taken.

The total staff costs borne by the Group under its arrangements with its management companies in the UK increased by 6.5% (2014 – 2.8%). The figure includes costs for staff who joined during the year. Average salary costs for staff employed in both years increased by 3.9%. Since such staff are employed under these arrangements, no consultations regarding Directors' remuneration policy or implementation have been held.

It is intended that the current practice of annual reviews and the method in which they are carried out will continue unchanged during the current and following years.

Non-executive Directors' remuneration

The non-executive Directors receive fees of £20,000 per annum which are reviewed periodically. This entitlement has not changed in recent years.

Relative importance of spend on pay

The table below demonstrates the relative amounts expended by the Group on staff costs, Directors' remuneration and dividends to shareholders. The Company did not buy back any shares during the year.

	Staff costs		Directors' remuneration		Dividends to shareholders	
	£000	% of total	£000	% of total	£000	% of total
2015	6,606	30.0	2,067	9.4	13,362	60.6
2014	6,205	27.5	1,750	7.8	14,503	64.7

Statement of Directors shareholdings and share interests

There is no minimum shareholding requirement for executive or non-executive Directors. The Directors' share interests are complex and are set out in detail in the Directors' Report on page 22.

Directors' Remuneration Report *(continued)*

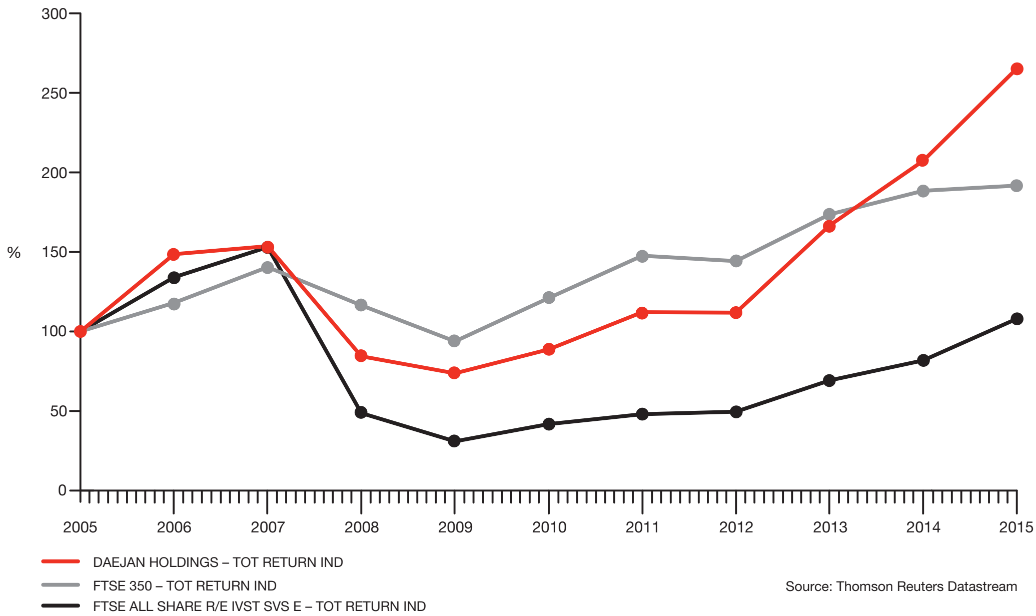
Approval of Directors' Remuneration Report

At the last Annual General Meeting of the Company, votes cast by shareholders on the resolution to approve the Directors' Remuneration Report were as follows:

For	13,277,488	99.6%
Against	59,170	0.4%

Total shareholder return

The following graph shows the total shareholder returns for the Company (rebased as at 1 April 2005) for each of the last ten financial years compared to the FTSE All Share Real Estate Investment and Services Index and the FTSE 350 Index. The Company is a constituent of both these indices and the Board considers these to be the most appropriate broad market equity indices for illustrating the Company's relative performance.



The basic pay of the Chairman and Managing Director during the same period as the graph above is shown as a single figure in the table below:

Mr B S E Freshwater	**£**
2006	595,000
2007	640,000
2008	670,000
2009	700,000
2010	720,000
2011	740,000
2012	770,000
2013	820,000
2014	870,000
2015	1,000,000

By order of the Board

D Davis

23 July 2015

Corporate Governance Report

Overview

The Board is required to report on the extent of its application of the principles and of its compliance with the provisions contained in the 2012 UK Corporate Governance Code (the "Code").

Your Board reviews each year the extent to which it is compliant with the Code and considers any changes which might be necessary in the light of developments in the principles and provisions of the Code and in the context of the needs of the Group's business.

We do not comply with the provisions of the Code in connection with non-executive representation on the Board, as we are doubtful that further extending non-executive participation at present would benefit our shareholders. We consider it vital that the principle of a unitary Board of Directors, sharing responsibility for all facets of the Company's business, should not be undermined by reserving areas of decision making solely for non-executive Directors. For this reason the matters which the Code recommends should be reserved for audit, nomination and remuneration committees are dealt with by the entire Board and it is intended to continue this practice. In view of the fact that the Board comprises only six Directors it is also not considered necessary to split the roles of Chairman and Chief Executive. Executive remuneration is not directly related to performance, but a link is established by the fact that remuneration is not agreed upon until after the results for the year are known.

Changes should be made when they are appropriate and in the best interests of the Company, rather than for the sake of change itself. This Company has a successful track record and whilst the Board will continue to keep under review any proposals which may improve the efficiency of its operations, the current structure has stood the Company in good stead over many years and should continue to do so in the future.

The Board

The Group is controlled through the Company's Board of Directors. The Board's main roles are to create value for shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met.

The Board meets regularly throughout the year on both a formal and informal basis. Comprehensive management information covering all aspects of the Group's business is supplied to the Board in a timely manner and in a form and quality which enables it to discharge its duties. The Board's principal focus, in accordance with the formal schedule of matters referred to it for decision, is on the formation of strategy and the monitoring and control of operations and financial performance. The performance of the Board is kept under constant review by the Chairman and therefore it is not considered necessary to undertake a more formal process of evaluation, either internally or externally. All Directors have access to the Company Secretary who is responsible for ensuring compliance with the Board procedures. The Board has agreed a procedure for Directors in the furtherance of their duties to take independent professional advice, if necessary, at the Company's expense.

The Board consults on a regular basis with the Group's external auditor and is charged with ensuring that its objectivity and independence is safeguarded.

The entire Board is responsible for the selection and approval of candidates for appointment to the Board. Mr A E Bude was selected as a senior non-executive Director during the year based on his wide experience in property law and appointed to the Board on 25 November 2014. The Board recognises the growing emphasis placed on criteria such as diversity and gender but continues to believe that

Corporate Governance Report *(continued)*

appointees should be selected primarily on the basis of a full, balanced range of criteria considered to be key to the management of the Group, without any forced emphasis.

All Directors retire and submit themselves for re-election to shareholders at the Annual General Meeting each year.

During the year there were two full, formal board meetings attended by all Directors.

Directors and Directors' Independence

The Board currently comprises the Chairman, who acts in an executive capacity, one further executive Director and four non-executive Directors. The names of the Directors together with their biographical details are set out on pages 20 and 21. Mr R E Freshwater and Mr A M Freshwater are not independent by virtue of their membership of the Freshwater family. The Board acknowledges that, in view of his length of service, Mr D Davis is technically not independent. Mr A E Bude is considered by the board to meet the criteria of independence.

Financial Reporting

The Board is responsible for all aspects of the Group's financial reporting obligations. The key aspects of these obligations are as follows:

Accounting and significant areas of judgement
It is essential to the standard of the Group's financial reporting that appropriate accounting policies are adopted and applied on a consistent basis. The Board discusses the impact of new and emerging accounting standards with the external auditor and keeps under careful review those areas of its accounting policies requiring subjective or complex judgements or estimates. These areas, particularly in relation to fair value measurements of investment property and the assessment of tax liabilities, are set out in Note 1(u) to the financial statements. In order to conclude on these matters, the Board reviews the valuation reports and discusses these with its valuers and reviews and discusses the tax position of the Group with its advisers.

External auditor
KPMG LLP, and its predecessor entities, has been the Group's statutory auditor since the Group in its current form was created by reverse takeover in 1959. The Board keeps under careful review the independence of the auditor and the quality of its services to the Group and is satisfied that KPMG LLP provides a high quality, objective and cost effective service, from the sound base of its understanding of the Group's business. Although the Code would now recommend the company re-tender the audit, under the recent EU Audit Directive and EU Regulation the Company will be required to appoint a different external auditor by 2020. It is therefore not the current intention of the Board to put the external audit contract out to tender before then, but the position will be kept under regular review. The Board has a policy of using KPMG LLP to provide non-audit services to the Group only in relation to matters closely associated with the audit and maintains close scrutiny of its non-audit services and fees in order to safeguard objectivity and independence.

Internal Controls

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Code requires that the Directors review the effectiveness of the Group's system of internal controls, covering financial, operational and compliance controls and risk management. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant business risks faced by the Group and that this process has been in place for the year under review and up to the date of approval of the Annual Report & Accounts. This process is reviewed by the Board at regular intervals.

The Board has considered the benefits likely to arise from the appointment of an internal audit function and has concluded that this is not currently necessary having regard to other controls which operate within the Group.

Key elements of the Group's system of internal controls
These are as follows:

Control environment: The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. The Group has a clear organisational structure for planning, executing and monitoring business operations in order to achieve the Group's objectives. Lines of responsibility and delegation of authority are well defined.

Risk identification and evaluation: Management is responsible for the identification and evaluation of key risks applicable to the areas of the property market which impact its objectives. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources. The Board considers the risk implications of business decisions including those affecting all major transactions.

Information and communication: Periodic strategic reviews are carried out which include the consideration of long term financial projections. Financial performance is actively monitored at Board level. Through these mechanisms group performance is monitored, risks identified in a timely manner, their implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Control procedures: The Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures include physical controls, segregation of duties, reviews by management and reviews by the Company's external auditors to the extent necessary to arrive at their audit opinion.

Monitoring and corrective action: The Board meets regularly, formally and informally, throughout the year to review the internal controls. This process includes an annual review of the significant business risks and formal consideration of the scope and effectiveness of the Group's system of internal control. In addition, the executive Directors and senior management staff have a close involvement in the day-to-day operations of the Group and as such the controls are subject to ongoing monitoring.

Investor Relations

The Board values communication with private and institutional shareholders and with analysts. The Annual General Meeting is used as the primary opportunity for the Board as a whole to meet private shareholders. Other opportunities are taken as they arise during the year to discuss strategic and other issues with institutional shareholders and analysts.

Corporate Governance Report *(continued)*

The Board continues to support the concept of individual resolutions on separate issues at Annual General Meetings. Details of proxy voting on each resolution are disclosed to the meeting after it has been dealt with by a show of hands. In accordance with the Code, notice of the Annual General Meeting and the Annual Report & Accounts will be sent to shareholders at least twenty working days before the meeting.

Compliance Statement

The Board considers the Company has complied throughout the year ended 31 March 2015 with the provisions of the Code with the exception of the following paragraphs:

Paragraph	Subject
A.2.1; A.3.1	Division of Chairman and CEO responsibilities
A.4.2; B.1.2	Non-executive directors and composition of the Board
B.2.1-4; B.3.1-2	Nomination committee and its responsibilities
B.4.1	Development of the Board
B.6.1-3	Evaluation of the Board
C.3.1-8	Audit committee and its responsibilities
D.1.1; D.2.1-2	Remuneration committee and its responsibilities

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 4 to 19, which also refers to the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, Note 16 to the financial statements includes the Group's objectives, policies and processes for managing its financial risks, together with details of its financial instruments, hedging activities and exposures to credit, liquidity and market risks.

As shown in the consolidated statement of cash flows, the Group generated net cash from operating activities of £26.1 million during the year (2014 – £19.4 million). Gearing, on the basis of gross debt to total assets, was 16.4% (2014 – 17.6%). Net debt (total loans and borrowings less cash and cash equivalents) has increased to £270.5 million (2014 – £232.4 million), due principally to the acquisition of and additions to investment property. The Group has undrawn committed facilities of £48.8 million at the balance sheet date (2014 – £35.0 million). The Group has considerable financial resources and very low gearing and therefore, the Directors consider that the Group is well placed to manage its business risks successfully in the current and foreseeable economic conditions. Consequently, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the Directors, whose names are listed on page 20, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

Directors' Responsibilities Statement *(continued)*

- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- this Annual Report & Accounts document, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

B S E Freshwater
Chairman

23 July 2015

Independent Auditor's Report to the Members of Daejan Holdings PLC

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Daejan Holdings PLC for the year ended 31 March 2015 set out on pages 39 to 70. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2015 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Valuation of investment properties (£1,855.2 million)

Refer to page 11 (Strategic report), page 30 (Accounting and significant areas of judgement), page 47 (Significant accounting policies) and page 52 (Notes to the consolidated financial statements).

- **The risk** – Valuation of investment properties is considered a significant audit risk due to the materiality of the carrying amount (94% of total assets) and the subjective nature of property valuations which depend on the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions.
- **Our response** – Our audit procedures included meeting with the Group's external valuers to challenge the assumptions and methodologies used in valuing the investment properties and the market evidence used by the external valuers to support these assumptions. We used our own chartered surveyor to assist us in evaluating the assumptions, methodologies, competency, and independence of the external valuers. In addition, for a sample of properties we assessed whether the valuations were performed in accordance with RICS Valuation Professional Standards or their US equivalent. We challenged the external valuers' assumptions by comparing yields on a sample of properties to benchmark indices and evaluated the extent to which the movements in valuations were consistent with our industry knowledge and comparable market transactions. In addition we compared key inputs used in the valuation model, such as rental income, occupancy and current tenancy contracts, to the Group's property management system and lease contracts. We also critically assessed the adequacy of the Group's disclosures including the accuracy of the fair value measurement categorisation and adequacy of the disclosure of the valuation techniques and significant unobservable inputs.

Independent Auditor's Report to the Members of Daejan Holdings PLC (continued)

Current tax liability (£35.7 million)

Refer to page 30 (Accounting and significant areas of judgement), page 47 (Significant accounting policies) and page 51 (Notes to the consolidated financial statements)

- **The risk** – Accruals for tax contingencies require the directors to make judgements and estimates in relation to tax issues and exposures. This is one of the key audit risks due to the time taken for tax matters to be agreed with the tax authorities and complexity of tax legislation.

- **Our response** – In this area our audit procedures included the use of our own local tax specialists to assist us in assessing the Group's tax positions and its correspondence with the relevant tax authorities and analysing and challenging the assumptions used to determine tax provisions based on our knowledge and experiences of the application of local legislation by the relevant authorities and courts. We have also assessed the adequacy of the Group's disclosures in respect of tax and uncertain tax positions by reference to relevant accounting standards.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £16.6 million, determined with reference to a benchmark of total assets, of which it represents 0.8%. In addition, we applied materiality of £5.3 million (which is 2.9% of the average profit before tax for the last three years) to rental income, administrative expenses and financial expenses, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the company's members' assessment of the financial performance of the Group.

We report to the board any corrected or uncorrected identified misstatements exceeding £800,000 (and £265,000 for rental income, administrative expenses and financial expenses), in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected all of the Group's 74 reporting components to audits for group reporting purposes of which 25 were audited by component auditors. These audits covered 100% of each of total Group revenue, Group profit before taxation and total Group assets. The segment disclosures in Note 2 to the consolidated financial statements set out the individual significance of a specific country.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £1,300 to £14.8 million with certain accounts captions being limited to materiality of £5.3 million, having regard to the mix of size and risk profile of the Group across the components.

The Group audit team visited the components audited by component auditors in the UK and the US, including to assess the audit risk and strategy. At these visits, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Corporate Governance Report does not appropriately address matters communicated by us to the Board.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 32, in relation to going concern; and
- the part of the Corporate Governance Report on pages 29 to 32 relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Independent Auditor's Report to the Members of Daejan Holdings PLC *(continued)*

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on pages 33 and 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Bill Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

23 July 2015

Consolidated Income Statement

for the year ended 31 March 2015	*Notes*	**Year ended 31 March 2015 £000**	Year ended 31 March 2014 £000
Gross rental income		**112,847**	97,751
Service charge income		**16,129**	14,451
Total rental and related income from investment property	*2*	**128,976**	112,202
Property operating expenses	*3*	**(70,041)**	(68,789)
Net rental and related income from investment property		**58,935**	43,413
Profit on disposal of investment property		**12,036**	11,320
Net valuation gains on investment property	*9*	**229,722**	119,648
Administrative expenses	*4*	**(11,821)**	(10,550)
Net operating profit before net financing costs		**288,872**	163,831
Fair value (losses)/gains on fixed rate loans and borrowings		**(5,599)**	8,737
Fair value gains on derivative financial instruments		**137**	2,375
Fair value gains/(losses) on current investments		**7**	(14)
Other financial income	*5*	**286**	705
Financial expenses	*5*	**(11,763)**	(11,129)
Net financing (expense)/income		**(16,932)**	674
Profit before taxation		**271,940**	164,505
Income tax	*6*	**(48,935)**	(14,337)
Profit for the year		**223,005**	150,168
Attributable to:			
Equity holders of the parent		**222,840**	149,772
Non-controlling interest		**165**	396
Profit for the year		**223,005**	150,168
Basic and diluted earnings per share	*7*	**£13.68**	£9.19

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2015	**Year ended 31 March 2015 £000**	Year ended 31 March 2014 £000
Profit for the year	**223,005**	150,168
Foreign exchange translation differences	**13,668**	(9,678)
Total comprehensive income for the year	**236,673**	140,490
Attributable to:		
Equity holders of the parent	**236,487**	140,101
Non-controlling interest	**186**	389
Total comprehensive income for the year	**236,673**	140,490

All comprehensive income may be reclassified as profit and loss in the future.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2015	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Equity shareholders' funds £000	Non-controlling interest £000	Total equity £000
Balance at 1 April 2013	4,074	555	22,467	957,774	984,870	83	984,953
Profit for the year	–	–	–	149,772	149,772	396	150,168
Foreign exchange translation differences	–	–	(9,671)	–	(9,671)	(7)	(9,678)
Payments to non-controlling interest	–	–	–	–	–	(303)	(303)
Dividends to equity shareholders	–	–	–	(14,503)	(14,503)	–	(14,503)
Balance at 1 April 2014	4,074	555	12,796	1,093,043	1,110,468	169	1,110,637
Profit for the year	–	–	–	222,840	222,840	165	223,005
Foreign exchange translation differences	–	–	13,647	–	13,647	21	13,668
Payments to non-controlling interest	–	–	–	–	–	(299)	(299)
Dividends to equity shareholders	–	–	–	(13,362)	(13,362)	–	(13,362)
Balance at 31 March 2015	**4,074**	**555**	**26,443**	**1,302,521**	**1,333,593**	**56**	**1,333,649**

The accompanying notes form an integral part of the financial statements.

Consolidated Balance Sheet

as at 31 March 2015	*Notes*	**31 March 2015 £000**	31 March 2014 £000
Assets			
Investment property	*9*	**1,855,230**	1,546,718
Deferred tax assets	*10*	**6,947**	5,433
Total non-current assets		**1,862,177**	1,552,151
Trade and other receivables	*11*	**55,586**	46,833
Current investments		**187**	2,033
Cash and cash equivalents	*12*	**52,293**	59,149
Total current assets		**108,066**	108,015
Total assets		**1,970,243**	1,660,166
Equity			
Share capital	*13*	**4,074**	4,074
Share premium		**555**	555
Translation reserve		**26,443**	12,796
Retained earnings		**1,302,521**	1,093,043
Total equity attributable to equity holders of the parent		**1,333,593**	1,110,468
Non-controlling interest		**56**	169
Total equity		**1,333,649**	1,110,637
Liabilities			
Loans and borrowings	*15*	**300,952**	283,869
Deferred tax liabilities	*10*	**232,210**	182,271
Total non-current liabilities		**533,162**	466,140
Loans and borrowings	*15*	**21,838**	7,710
Trade and other payables	*14*	**45,879**	45,305
Current taxation		**35,715**	30,374
Total current liabilities		**103,432**	83,389
Total liabilities		**636,594**	549,529
Total equity and liabilities		**1,970,243**	1,660,166

The financial statements on pages 39 to 66 were approved by the Board of Directors on 23 July 2015 and were signed on its behalf by:

B.S.E. Freshwater Director

D. Davis Director

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2015	**£000**	**Year ended 31 March 2015 £000**	£000	Year ended 31 March 2014 £000
Cash flows from operating activities				
Cash receipts from rent and service charges	**134,113**		120,455	
Cash paid to suppliers and employees	**(92,908)**		(88,288)	
Cash generated from operations	**41,205**		32,167	
Interest received	**289**		1,154	
Interest paid	**(11,731)**		(11,329)	
Payments to non-controlling interest	**(299)**		(303)	
Tax paid	**(3,383)**		(2,304)	
Net cash from operating activities		**26,081**		19,385
Cash flows from investing activities				
Acquisition and development of investment property	**(43,460)**		(47,797)	
Proceeds from sale of investment property	**16,772**		13,093	
Net cash absorbed by investing activities		**(26,688)**		(34,704)
Cash flows from financing activities				
Repayment of bank loans	**(33,353)**		(16,375)	
New bank loans	**36,611**		–	
Repayment of mortgages	**(23,793)**		(32,320)	
New mortgages	**25,085**		76,050	
Dividends paid	**(13,362)**		(14,503)	
Net cash (absorbed)/generated from financing activities		**(8,812)**		12,852
Net decrease in cash and cash equivalents		**(9,419)**		(2,467)
Cash and cash equivalents brought forward		**59,149**		63,513
Effect of exchange rate fluctuations on cash held		**2,563**		(1,897)
Cash and cash equivalents *(Note 12)*		**52,293**		59,149

The accompanying notes form an integral part of the financial statements.

Notes to the Consolidated Financial Statements

1. *Significant Accounting Policies*

Daejan Holdings PLC is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were authorised for issuance on 23 July 2015.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP and these are presented on pages 67 to 70.

(b) Basis of preparation

The consolidated financial statements are presented in sterling, the Company's functional currency and the Group's presentational currency, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property, derivative financial instruments, fixed rate loans and borrowings and current asset investments.

The accounting policies set out in this Note 1 have been applied consistently throughout the Group to all periods presented in the consolidated financial statements, except as described below.

The following standards, amendments to standards and interpretations became effective for the year end 31 March 2015, but none of these has had a material impact on the Group:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 32 *Financial Instruments: Presentation (amendment)*
- IAS 36 *Impairment of Assets (amendment)*
- IAS 39 *Financial Instruments: Recognition and measurement (amendment)*

The following standards, amendments to standards and interpretations relevant to the Group have been issued but are not yet effective. None of these has been early-adopted by the Group.

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from contracts with customers*

The Group is in the process of assessing the impact of these new standards on its financial reporting.

The financial statements have been prepared on a going concern basis as explained in the Corporate Governance Report on page 32.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the events or amounts involved, actual results ultimately may differ from those

Notes to the Consolidated Financial Statements *(continued)*

estimates. The areas involving a higher degree of complexity, judgement or estimation are set out in Note 1(u) below.

(c) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to direct relevant activities of an entity and an exposure to variable returns so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

(d) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(e) Income available for distribution

Under the articles of association of certain Group investment undertakings, realised capital surpluses are not available for distribution as dividends.

(f) Foreign currency translation

The assets and liabilities of foreign operations are translated to sterling at the foreign exchange rate ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on re-translation are recognised directly in a separate component of equity. The cumulative translation difference for all foreign operations was deemed to be zero as at the date of transition to IFRS. The year end and average rates used for these purposes were as follows:

	Year end		*Average*	
	2015	*2014*	***2015***	*2014*
US Dollar	**1.48**	1.66	**1.61**	1.59

(g) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational and financing activities. As these derivatives do not qualify for hedge accounting, they are accounted for as trading instruments. Derivative financial instruments are initially recognised, and subsequently recorded, at fair value. The fair value of interest rate swaps is the estimated amount that the Group would recover or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the credit worthiness of the swap counterparties. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

(h) Investment property

IFRS defines investment properties as those which are held either to earn rental income or for capital appreciation or both. All of the Group's property falls within this definition. Investment property is initially recognised at cost and subsequently recorded at fair value.

External, independent valuation firms having appropriate recognised professional qualifications and recent relevant experience in the location and category of property being valued, value the portfolio annually at the Company's year end. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuations are prepared either by considering the aggregate of the net annual rent receivable from the properties using a market yield which reflects the risks inherent in the net cash flow which is then applied to the net annual rents, or on a sales comparison basis. Any gains or losses arising from a change in fair value are recognised in the income statement.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be treated as an investment property, and is measured based on the fair value model. Interest is capitalised on such developments to the extent that such interest is directly attributable to the cost of redevelopment.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Where material, the aggregate present value of the minimum future lease payments under such leases is recognised as a liability.

Acquisitions and disposals are recognised on the date that the significant risks and rewards of ownership have been transferred. Any resulting gain or loss based on the difference between sale proceeds and valuation is included in the income statement and taxation applicable thereto is shown as part of the taxation charge.

(i) Current investments

Investments comprise equity securities and other investments held for trading and classified as current assets stated at fair value, with any resultant gain or loss recognised in the income statement.

(j) Trade and other receivables

Trade and other receivables are initially stated at fair value and subsequently carried at cost less an allowance for impairment. These assets are not discounted as the effect is deemed immaterial.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits. These short term deposits are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are repayable on demand and form an integral part of the Group's cash management. Bank overdrafts are therefore included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Dividends

Dividends are recognised as a liability in the period in which they are approved.

(m) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently carried at amortised cost.

(n) Net rental income

Net rental income comprises rent and service charges receivable less applicable provisions and costs associated with the properties. Rental income from investment property leased out under operating leases is recognised in the income statement on a straight-line basis over the certain term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Service charge income is recognised as the services are provided. Net rental income is stated net of recoverable VAT.

Notes to the Consolidated Financial Statements *(continued)*

The cost of repairs is written off to the income statement in the year in which the expenditure was incurred. Lease payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(o) Dividend income

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which, in the case of quoted securities, is the ex-dividend date.

(p) Taxation

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities (which, in the case of investment property, is assumed to be through sale), using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(q) Segmental reporting

The Company has identified its operating segments on the basis of those components of the Group which engage in business activities from which they may earn revenues and incur expenses and for which discrete financial information is available and regularly reviewed by the Chief Operating Decision Maker in order to allocate resources and assess performance. The Company has determined the Chief Operating Decision Maker to be the Board of Directors.

(r) Impairment

The carrying amounts of the Group's assets, other than investment property (see Note 1(h)) and deferred tax assets (see Note 1(p)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated and an impairment loss recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value-in-use. The value-in-use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(s) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(t) Loans and borrowings

Floating rate loans and borrowings are initially recognised at fair value and are subsequently recorded at amortised cost. Fixed rate loans and borrowings are initially recognised, and subsequently recorded, at fair value. In the case of floating rate loans and borrowings, transaction costs are deducted from the fair value at recognition and any differences between the amount initially recognised and the redemption value is recognised in the income statement over the period of the borrowings on an effective interest rate basis.

(u) Significant judgements, key assumptions and estimates

The Group's significant accounting policies are set out above. Not all of these policies require management to make subjective or complex judgements or estimates. The following is intended to provide further detail relating to those accounting policies that management consider particularly significant because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements.

(i) Property valuations

The valuation of the Group'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 9). 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 1(h) above, all the Group's properties are valued by external valuers with appropriate qualifications and experience.

(ii) Income taxes

The tax treatment of some transactions and calculations cannot be determined until a formal resolution has been reached with the relevant tax authorities. In such cases, a best estimate of the relevant tax charge or credit is made, having regard to the extent of uncertainties associated with it. Where the final outcome of such matters is different from the amounts initially recorded, those differences will be reflected in the income and deferred taxes amounts at the time of formal resolution.

Additionally, judgement has been exercised in relation to the recognition of deferred tax assets where the utilisation of the underlying tax losses is uncertain. Such resolution can take a long time to achieve due to the complexity of tax legislation.

Notes to the Consolidated Financial Statements *(continued)*

(iii) Fixed interest rate loans and borrowings

The treatment of fixed rate debt at fair value through profit and loss reflects the Group's overall management, on a fair value basis, of its investment property portfolio together with the large majority of the debt which finances it. This treatment also is in order to provide consistency of accounting measurement between fixed rate debt and floating rate debt which has been fixed through the use of interest rate swaps; these two categories of debt comprising the large majority of the Group's total loans and borrowings.

(iv) Valuation of hedging instruments and fixed rate debt

The fair value of hedging instruments and fixed rate debt that are not traded in an active market is determined by using valuation techniques. Management, based on independent advice, uses its judgement to select appropriate methods and assumptions which are based mainly on market conditions existing at the balance sheet date.

(v) Trade receivables

Management uses details of the age of trade receivables 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.

2. *Segmental Analysis*

The Group is managed through two discrete geographical divisions and has only one product or service, being investment in property for the generation of rental income and/or capital appreciation. This is reflected in the Group's structure and in the segment information reviewed by the Board.

	UK	***USA***	***Eliminations***	***Total***
for the year ended 31 March 2015	**£000**	**£000**	**£000**	**£000**
Rental and related income	92,697	36,279	–	128,976
Property operating expenses	(48,096)	(21,945)	–	(70,041)
Profit/(loss) on disposal of property	12,923	(887)	–	12,036
Net valuation movements on property	185,427	44,295	–	229,722
Administrative expenses	(11,167)	(654)	–	(11,821)
Profit before finance costs	231,784	57,088	–	288,872
Fair value losses	(4,001)	(1,454)	–	(5,455)
Other financial income	129	478	(321)	286
Financial expenses	(4,949)	(7,135)	321	(11,763)
Profit before taxation	222,963	48,977	–	271,940
Income tax charge	(36,216)	(12,719)	–	(48,935)
Profit for the year	186,747	36,258	–	223,005
Capital expenditure	39,515	3,945	–	43,460
Investment property	1,437,890	417,340	–	1,855,230
Other assets	70,867	53,667	(9,521)	115,013
Total segment assets	1,508,757	471,007	(9,521)	1,970,243
Total segment liabilities	(348,713)	(297,402)	9,521	(636,594)
Capital employed	1,160,044	173,605	–	1,333,649

for the year ended 31 March 2014	*UK* £000	*USA* £000	*Eliminations* £000	*Total* £000
Rental and related income	79,294	32,908	–	112,202
Property operating expenses	(47,790)	(20,999)	–	(68,789)
Profit/(loss) on disposal of property	11,721	(401)	–	11,320
Net valuation movements on property	98,942	20,706	–	119,648
Administrative expenses	(9,987)	(563)	–	(10,550)
Profit before finance costs	132,180	31,651	–	163,831
Fair value (losses)/gains	4,468	6,630	–	11,098
Other financial income	540	491	(326)	705
Financial expenses	(4,390)	(7,065)	326	(11,129)
Profit before taxation	132,798	31,707	–	164,505
Income tax charge	(1,041)	(13,296)	–	(14,337)
Profit for the year	131,757	18,411	–	150,168
Capital expenditure	16,072	31,725	–	47,797
Investment property	1,215,740	330,978	–	1,546,718
Other assets	76,357	45,277	(8,186)	113,448
Total segment assets	1,292,097	376,255	(8,186)	1,660,166
Total segment liabilities	(303,967)	(253,748)	8,186	(549,529)
Capital employed	988,130	122,507	–	1,110,637

No single lessee accounted for more than 5% of the Group's rental and related income in either year.

3. *Property Operating Expenses*

	2015 **£000**	*2014* £000
Porterage, cleaning and repairs	**32,489**	32,883
Insurance	**4,897**	4,622
Building services	**19,789**	20,675
Other management costs	**12,866**	10,609
	70,041	68,789

Of the property operating expenses shown above, an amount of £1,979,000 (2014 – £1,646,000) related to properties which generated no income during the year.

Notes to the Consolidated Financial Statements *(continued)*

4. *Administrative Expenses*

	2015 £000	2014 £000
Staff costs	**6,606**	6,205
Directors' remuneration	**2,067**	1,779
Audit and accountancy	**793**	785
Legal and other administrative expenses	**2,355**	1,781
	11,821	10,550

Auditor's remuneration:

During the year the Group paid KPMG LLP £31,000 (2014 – £31,000) for the audit of the Company and £383,000 (2014 – £371,000) for the audit of the Group's subsidiaries, together with £Nil (2014 – £Nil) for audit related assurance services and £32,000 (2014 – £35,000) for other services.

In the UK, the staff provided by the property and administrative management companies who performed roles for the Group totalled 210 (2014 – 210). The average number of full time equivalents whose staff costs were borne by the Group during the year was 149 (2014 – 149). The aggregate staff cost of these persons is shown above and can be analysed as follows:

	2015 £000	2014 £000
Salaries	**5,333**	5,270
NI contributions	**620**	509
Pensions	**653**	426
	6,606	6,205

In addition the property and administrative management companies provide, under agency arrangements, staff to perform various caretaking roles. Those costs totalling £1,060,000 (2014 – £1,035,000) are included within property operating expenses (note 3) under porterage, cleaning and repairs.

Details of Directors' remuneration are set out in the Directors' Remuneration Report.

5. *Financial Income and Expenses*

	2015 £000	2014 £000
Financial income:		
Bank interest receivable	**64**	225
Other financial income	**222**	480
	286	705
Financial expenses:		
Interest payable on bank loans	**2,560**	2,538
Interest payable on mortgages	**9,191**	8,577
Other interest payable	**12**	14
	11,763	11,129

6. Taxation

Taxation based on the profit for the year of the Company and its subsidiaries:

	2015	*2014*
	£000	£000
UK corporation tax	**8,943**	6,853
UK prior year items	**(1,202)**	(9,752)
	7,741	(2,899)
Overseas taxation	**1,098**	405
Total current tax	**8,839**	(2,494)
Deferred tax	**40,096**	33,068
Deferred tax – reduction in future tax rate	**–**	(16,237)
Total deferred tax	**40,096**	16,831
Total tax charge	**48,935**	14,337

Reconciliation of tax expense

Profit before taxation	**271,940**	164,505
Corporation tax at the standard UK rate of 21% (2014 – 23%)	**57,107**	37,836
Reduction in future tax rate	**–**	(16,237)
Prior year items	**(1,202)**	(9,752)
Higher tax rate on overseas operations	**2,404**	6,004
Indexation and non-taxable items	**(10,105)**	(3,448)
Other	**731**	(66)
Total tax charge	**48,935**	14,337

UK prior year items for the years ended 31 March 2015 and 31 March 2014 shown above includes the release of provisions from prior years following a review by the Directors of the tax treatment of certain transactions, such provisions having previously been made in accordance with the policy set out in Note 1(u)(ii) above.

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015 the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

7. Earnings per Share

Earnings per share is calculated on the earnings, after taxation and non-controlling interests, of £222,840,000 (2014 – £149,772,000) and the weighted average shares in issue during the year of 16,295,357 (2014 – 16,295,357).

Notes to the Consolidated Financial Statements *(continued)*

8. *Dividends*

	2015	2014
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2013, paid 8 November 2013 @ 54p per share	**–**	8,800
Interim dividend for the year ended 31 March 2014, paid 7 March 2014 @ 35p per share	**–**	5,703
Final dividend for the year ended 31 March 2014, paid 14 November 2014 @ 47p per share	**7,659**	–
Interim dividend for the year ended 31 March 2015, paid 6 March 2015 @ 35p per share	**5,703**	–
	13,362	14,503

The Board has recommended a final dividend for the year ended 31 March 2015 of £8,637,000, representing 53p per share. This dividend has not been included as a liability in these financial statements.

9. *Investment Property*

	Freehold	*Long Leasehold*	*Short Leasehold*	***Total 2015***	*Total 2014*
	£000	£000	£000	**£000**	£000
Balance at 1 April	**1,261,841**	**262,702**	**22,175**	**1,546,718**	1,407,544
Disposals	**(2,791)**	**(1,945)**	**–**	**(4,736)**	(1,773)
New acquisitions	**35,023**	**–**	**–**	**35,023**	26,142
Additions to existing properties	**6,898**	**1,539**	**–**	**8,437**	21,655
Revaluation (recognised in profit)	**175,137**	**53,490**	**1,095**	**229,722**	119,648
Foreign exchange movements (recognised in other comprehensive income)	**34,272**	**5,794**	**–**	**40,066**	(26,498)
Balance at 31 March	**1,510,380**	**321,580**	**23,270**	**1,855,230**	1,546,718

External, independent professional valuations of all the Group's UK investment properties were carried out by Colliers International Property Advisers UK LLP, RICS Registered Valuers at 31 March 2015. The aggregate amount of £1,444.5 million is based on open market values, assessed in accordance with the RICS Valuation – Professional Standards (2014). The Group's USA investment properties were also independently professionally valued at 31 March 2015 by Joseph J. Blake and Associates Inc. and Metropolitan Valuation Services, Inc., both USA Certified General Real Estate Appraisers. The aggregate amount of £418.1 million is based on open market values, assessed in accordance with the Standards of Professional Appraisal Practice of the Appraisal Institute. All three valuers have recent experience in the location and category of the property being valued.

The aggregate professional valuations included in the above table have been reduced by an amount of £7.4 million (2014 – £3.5 million), relating to lease incentives included in Trade and other receivables.

As explained in Note 1(u)(i), property valuations are 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. These fair value measurements are classified as Level 3 as defined by IFRS 13 *Fair Value Measurement*. There have been no transfers between the levels of fair value hierarchy during the year.

Valuation techniques and key inputs

The following table sets out the valuation techniques and key inputs for the main categories of property within the Group's portfolio, together with an indication of the inter-relationships between the key inputs and the fair value measurement.

Category	*Valuation technique*	*Location and Fair value at 31 March 2015 (2014)*	*Significant unobservable inputs at 31 March 2015*	*Significant unobservable inputs at 31 March 2014*
UK Residential				
Residential apartments and houses	Sales valuation approach, derived from recent comparable transactions in the market, adjusted by applying discounts to reflect status of occupation and condition. The largest discounts were applied to those properties subject to registered tenancies, reflecting the relative difference in security of tenure, whilst the smallest discounts were applied to those properties subject to assured shorthold tenancies.	Greater London £538.0 million (£469.2m)	Sales values (psf): Range £273 – £1,700	Sales values (psf): Range £250 – £1,700
		UK – South £51.6 million (£48.7m)	Sales values (psf): Range £119 – £435	Sales values (psf): Range £115 – £430
		UK – North £4.8 million (£4.5m)	Sales values (psf): Range £81 – £159	Sales values (psf): Range £61 – £116
Total UK residential		£594.4 million (£522.4 million)		

Inter-relationship between inputs and fair value:
Estimated fair value would increase if the sales values increased

UK Commercial				
Office units	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.	Greater London £274.2 million (£228.5m)	Equivalent yield: Average 4.9; range 4.3 – 13.10 Estimated rental value (psf): Average £38.2; range £8 – £65	Equivalent yield: Average 6.6; range 5.0 – 12.3 Estimated rental value (psf); Average £38.7; range £10 – £65
		UK – South £47.2 million (£41.2m)	Equivalent yield: Average 9.8; range 5.0 – 19.8 Estimated rental value (psf): Average £9.9; range £2 – £30	Equivalent yield: Average 10.6; range 5.1 – 20.5 Estimated rental value (psf): Average £10.2; range £5 – £30

Notes to the Consolidated Financial Statements (continued)

Category	*Valuation technique*	*Location and Fair value at 31 March 2015 (2014)*	*Significant unobservable inputs at 31 March 2015*	*Significant unobservable inputs at 31 March 2014*
UK Commercial (continued)				
Office units (continued)	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.	UK – North £11.4 million (£11.5m)	Equivalent yield: Average 11.1; range 7.8 – 15.0 Estimated rental value (psf): Average £7.8; range £4 – £13	Equivalent yield: Average 11.3; range 8.2 – 14.2 Estimated rental value (psf); Average £7.3; range £4 – £13
Retail units		Greater London £194.2 million (£142.1m)	Equivalent yield: Average 7.7; range 2.4 – 13.4 Estimated rental value (psf): Average £26.1; range £5 – £375	Equivalent yield: Average 8.1; range 3.5 – 12.9 Estimated rental value (psf): Average £24.0; range £5 – £350
		UK – South £138.2 million (£149.3m)	Equivalent yield: Average 7.7; range 3.5 – 20.2 Estimated rental value (psf): Average £14.6; range £3 – £140	Equivalent yield: Average 7.6; range 4.9 – 20.3 Estimated rental value (psf); Average £15.1; range £3 – £140
		UK – North £27.1 million (£24.6m)	Equivalent yield: Average 9.2; range 5.2 – 13.8 Estimated rental value (psf): Average £8.3; range £2 – £24	Equivalent yield: Average 9.6; range 5.5 – 12.8 Estimated rental value (psf): Average £8.7; range £3 – £23
Industrial units		All UK £34.1 million (£32.1m)	Equivalent yield: Average 9.3; range 6,5 – 23.6 Estimated rental value (psf): Average £3.8; range £2 – £23	Equivalent yield: Average 9.4; range 6.8 – 23.8 Estimated rental value (psf); Average £3.7; range £2 – £20
Leisure units		All UK £73.8 million (£32.5m)	Equivalent yield: Average 7.6; range 7.0 – 10.8 Estimated rental value (psf): Average £13.6; range £7 – £24	Equivalent yield: Average 7.8; range 6.0 – 11.2 Estimated rental value (psf): Average £14.3; range £4 – £24
Other		All UK £49.9 million (£34.2m)		
Total UK commercial		£850.1 million (£696.0 million)		

Inter-relationship between inputs and fair value: Estimated fair value would increase if either net operating income increased or estimated yield decreased.

Certain comparatives have been restated to ensure consistency of treatment of properties between years.

Category	*Valuation technique*	*Location and Fair value at 31 March 2015 (2014)*	*Significant unobservable inputs at 31 March 2015*	*Significant unobservable inputs at 31 March 2014*
USA Residential				
Residential apartments	The application of a capitalisation rate, based on recent arm's length transactions, to an assessment of stabilised net income, cross-checked to recent comparative sales evidence	New York City £147.6 million (£106.9m)	Capitalisation rates: Average 4.2; Range 3.0 – 5.0 Estimated rental value (psf): Average £8; range £7 – £22	Capitalisation rates: Average 5.0; Range 3.5 – 6.0 Estimated rental value (psf): Average £7; range £6 – £20
		Florida £72.4 million (£61.5m)	Capitalisation rates: 6.3 throughout Estimated rental value (psf): Average £7; range £6 – £8	Capitalisation rates: 6.3 throughout; Estimated rental value (psf): Average £7; range £5 – £7
		Other States £86.8 million (£71.8m)	Capitalisation rates: Average 5.9; Range 5.3 – 6.5 Estimated rental value (psf): Average £10; range £9 – £12	Capitalisation rates: Average 5.9; Range 5.3 – 6.5 Estimated rental value (psf): Average £9; range £8 – £10
Unsold co-operative residential apartments	The application of a discount rate, based on recent arm's length transactions, to an assessment of net income over the period to full reversion, cross-checked to recent comparative sales evidence	New York City £58.6 million (£49.3m)	Discount rates: Average 9.4%; Range 9.0 – 12.0% Estimated rental value (per room): Average £3,000; range £800 – £10,200 Estimated sales value (per room): Average £54,600; range £27,000 – £202,200	Discount rates: Average 10.5%; Range 7.0 – 12.0% Estimated rental value (per room): Average £2,500; range £1,200 – £13,100 Estimated sales value (per room): Average £46,300; range £24,000 – £168,300
Total USA residential		£365.4 million (£289.5 million)		

Inter-relationship between inputs and fair values:

USA Residential apartments estimated fair value would increase if either capitalisation rates decreased or estimated rental value increased.

USA Residential unsold co-operative residential apartments estimated fair value would increase if either discount rates decreased, estimated rental values increased or estimated sales values increased.

Notes to the Consolidated Financial Statements *(continued)*

Category	*Valuation technique*	*Location and Fair value at 31 March 2015 (2014)*	*Significant unobservable inputs at 31 March 2015*	*Significant unobservable inputs at 31 March 2014*
USA Commercial				
Commercial offices and retail units	The application of a capitalisation rate, based on recent arm's length transactions, to an assessment of stabilised net income	Massachusetts, Philadelphia and New Jersey £52.7 million (£42.3m)	Capitalisation rates: Average 5.5; Range 5.3 – 7.3 Estimated rental value (psf): Average £18; range £5 – £21	Capitalisation rates: Average 5.9; Range 5.5 – 7.5 Estimated rental value (psf): Average £16; range £5 – £19
Total USA commercial		£52.7 million (£42.3 million)		

Inter-relationship between inputs and fair values: Estimated fair value would increase if either capitalisation rates decreased or estimated rental values increased.

There are inter-relationships between the groups of inputs as they are determined by market conditions. Movements in more than one input having the effect of increasing fair value would give rise to a magnifying effect on the valuation. Conversely, movements of inputs having opposite effects on fair value would have a mitigating effect on the valuation.

The present value of future minimum lease payments in relation to the leasehold investment properties is £11.9 million at 31 March 2015 (2014 – £10.9 million).

Contractual obligations not yet invoiced or paid, for the purchase, construction, development or enhancement of investment properties, amounted to £3.9 million at 31 March 2015 (2014 – £3.3 million).

10. Deferred Tax Assets and Liabilities

		2015			*2014*	
	Assets	***Liabilities***	***Net***	*Assets*	*Liabilities*	*Net*
	£000	**£000**	**£000**	£000	£000	£000
Investment property	**–**	**(216,082)**	**(216,082)**	–	(168,155)	(168,155)
Accelerated tax depreciation	**–**	**(16,128)**	**(16,128)**	–	(14,116)	(14,116)
Financial instruments	**6,947**	**–**	**6,947**	5,433	–	5,433
	6,947	**(232,210)**	**(225,263)**	5,433	(182,271)	(176,838)

The movement in deferred tax is as follows:

	Investment property £000	Accelerated tax depreciation £000	Financial instruments £000	Total 2015 £000	Total 2014 £000
Balance at 1 April	**(168,155)**	**(14,116)**	**5,433**	**(176,838)**	(165,276)
Recognised in income	**(40,443)**	**(670)**	**1,017**	**(40,096)**	(16,831)
Foreign exchange movements	**(7,484)**	**(1,342)**	**497**	**(8,329)**	5,269
Balance at 31 March	**(216,082)**	**(16,128)**	**6,947**	**(225,263)**	(176,838)

11. Trade and Other Receivables

	2015 £000	2014 £000
Rent and service charges	**26,018**	21,865
Other debtors and prepayments	**29,065**	24,482
Mortgages granted repayable within one year	**503**	486
	55,586	46,833

The ageing of rent and service charge receivables was as follows:

	2015 Gross £000	2015 Impairment £000	2015 Net £000	2014 Gross £000	2014 Impairment £000	2014 Net £000
Not past due	**14,811**	**–**	**14,811**	11,006	–	11,006
Past due by less than one month	**6,317**	**(1,057)**	**5,260**	7,160	(508)	6,652
Past due by one to three months	**1,607**	**(437)**	**1,170**	2,221	(633)	1,588
Past due by three to six months	**2,230**	**(470)**	**1,760**	1,821	(886)	935
Past due by more than six months	**11,268**	**(8,251)**	**3,017**	7,037	(5,353)	1,684
	36,233	**(10,215)**	**26,018**	29,245	(7,380)	21,865

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2015 £000	2014 £000
Balance at 1 April	**7,380**	8,778
Amounts written off	**(1,168)**	(1,426)
Movement in allowance for impairment	**4,003**	28
Balance at 31 March	**10,215**	7,380

Notes to the Consolidated Financial Statements *(continued)*

12. Cash and Cash Equivalents

	2015 £000	2014 £000
Bank balances	**49,928**	36,685
Short term deposits	**2,365**	22,464
Cash and cash equivalents in the balance sheet and cash flow statement	**52,293**	59,149

Included within bank balances are tenants' deposits of £3,386,000 (2014 – £2,943,000) in the UK and £2,134,000 (2014 – £1,767,000) in the USA, which cannot be used in the ordinary course of business.

13. Share Capital

	Number	2015 £000	2014 £000
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	**16,295,357**	**4,074**	4,074

The Company has one class of share, which carries no special rights or rights to fixed income. There are no restrictions on the transfer of these shares or restrictions on voting rights.

14. Trade and Other Payables

	2015 £000	2014 £000
Rent and service charges charged in advance	**17,691**	18,141
Other creditors and accruals	**24,230**	23,069
Derivative financial instruments	**3,958**	4,095
	45,879	45,305

15. Loans and Borrowings

	2015 £000	2014 £000
Non-current liabilities		
Mortgages	**218,927**	205,102
Bank loans	**82,025**	78,767
	300,952	283,869
Current liabilities		
Mortgages	**20,463**	6,335
Bank loans	**1,375**	1,375
	21,838	7,710
Total loans and borrowings		
Mortgages	**239,390**	211,437
Bank loans	**83,400**	80,142
	322,790	291,579

All mortgages and bank loans are secured on specific investment properties owned by subsidiary undertakings.

The maturity profile of the Group's loans and borrowings was as follows:

	2015			*2014*
	Bank loans	***Mortgages***	***Total***	*Total*
	£000	**£000**	**£000**	£000
Due within one year	**1,375**	**20,463**	**21,838**	7,710
Due within one to two years	**21,375**	**16,276**	**37,651**	46,243
Due within two to five years	**60,650**	**71,101**	**131,751**	133,436
Due after more than five years	**–**	**131,550**	**131,550**	104,190
	83,400	**239,390**	**322,790**	291,579

The risk profile of the Group's loans and borrowings, after taking account of interest rate swaps, was as follows:

		2015			*2014*	
	Fixed	***Floating***	***Total***	*Fixed*	*Floating*	*Total*
	£000	**£000**	**£000**	£000	£000	£000
Sterling	**66,677**	**58,400**	**125,077**	63,331	55,142	118,473
US Dollar	**197,713**	**–**	**197,713**	173,106	–	173,106
	264,390	**58,400**	**322,790**	236,437	55,142	291,579

Floating rate bank loans bear rates based on LIBOR. The Group's interest rate swaps are set out in Note 16. The interest rate profile of the Group's fixed rate mortgages was as follows:

	2015	*2014*
	£000	£000
Per cent.		
3.0-3.5	**74,034**	62,191
3.5-4.0	**61,142**	32,508
4.0-4.5	**24,259**	22,217
4.5-5.0	**10,257**	27,881
5.0-5.5	**16,640**	17,472
5.5-6.0	**33,048**	30,203
6.0-6.5	**20,010**	18,965
	239,390	211,437

The weighted average rate and the weighted average term of the Group's fixed rate loans and borrowings (after taking account of interest rate swaps) were as follows:

	2015	*2014*	***2015***	*2014*
	Per cent.	Per cent.	**Years**	Years
Sterling	**5.95**	5.97	**11.9**	12.5
US Dollar	**4.01**	4.19	**6.7**	6.4

Notes to the Consolidated Financial Statements *(continued)*

16. Financial Assets and Liabilities

The Group's financial instruments are analysed into category as follows:

	2015 Carrying amount £000	**2015** Financing income/ (expense) £000	2014 Carrying amount £000	2014 Financing income/ (expense) £000
Current asset investments	**187**	**7**	2,033	(14)
Current assets at fair value	**187**	**7**	2,033	(14)
Derivative financial instruments	**(3,958)**	**137**	(4,095)	2,375
Fixed rate loans and borrowings	**(239,390)**	**(14,790)**	(211,437)	160
Current and non-current liabilities at fair value	**(243,348)**	**(14,653)**	(215,532)	2,535
Trade and other receivables	**55,586**	**222**	46,833	480
Cash and cash equivalents	**52,293**	**64**	59,149	225
Current assets at amortised cost	**107,879**	**286**	105,982	705
Trade and other payables	**(41,921)**	**(12)**	(41,210)	(14)
Floating rate loans and borrowings	**(83,400)**	**(2,560)**	(80,142)	(2,538)
Current and non-current liabilities at amortised cost	**(125,321)**	**(2,572)**	(121,352)	(2,552)
Total financial instruments	**(260,603)**	**(16,932)**	(228,869)	674

Fair values of financial instruments

The Group's financial instruments are either recorded at fair value or their fair values are not materially different from their carrying amounts. At both the current and preceding year end there were no non-recurring fair value measurements.

The Group does not hedge account and all its mortgages and interest rate swaps are initially recognised, and subsequently recorded, at fair value, with any movement being recorded in the consolidated income statement. The fair values of all these financial instruments are determined by reference to observable inputs that are classified as Level 2 in the fair value hierarchy set out in IFRS 13 *Fair Value Measurement*. Fair values have been determined by discounting expected future cash flows using market interest rates and yield curves over the remaining term of the instrument, as adjusted to reflect the credit risk attributable to the Group and, where relevant, its counterparty.

Financial instrument risk management

In common with all businesses, the Group is exposed to the following types of risk which arise from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the nature of the Group's exposure to such risks, its objectives, policies and processes for measuring and managing risk and the Group's management of capital. Reference to disclosures given elsewhere in the financial statements is included as appropriate.

The Board has overall responsibility for determining the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, has delegated to the finance function the authority for designing and operating processes that ensure the effective implementation of those objectives. The overall objectives of the Board are to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Credit risk

The Group's exposure to credit risk arises from the potential financial loss if a tenant or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables from tenants.

Trade receivables

The majority of the Group's rental income is demanded quarterly in advance and demands are sent out prior to the due date. Management monitors arrears continually and prompt action is taken to address potential defaults as appropriate. The credit worthiness of each tenant is assessed prior to the agreement of the lease. Collateral is generally required by the Group to support lease obligations. In many cases this takes the form of a tenant security deposit but also includes parent company guarantees or bank or other guarantees where appropriate. Provision is made on a sliding scale against any rental arrears where recovery is in doubt or where solicitors have been instructed to recover the debt, with full provision for impairment usually being made where a tenant is in arrears for more than a year. Details of the Group's trade receivables and the extent of impairment provisions against them are set out in Note 11.

Due to the large number of tenants across various sectors and geographical locations, the Board does not consider there to be a significant concentration of credit risk.

Cash and derivative financial instruments

The credit rating of counterparties to financial instruments is kept under review. The Group's interest rate swaps are currently out-of-the-money; consequently, counterparty risk on swaps does not represent a major risk at the current time. The counterparty risk on cash and short-term deposits is managed by limiting the aggregate exposure to any institution by reference to their credit rating. Such balances are generally placed with major financial institutions where credit risk is not considered significant.

Maximum exposure

The aggregate carrying amounts of the Group's financial assets, which are stated net of impairment provisions, represents the Group's maximum exposure to credit risk, before taking into account the value of the tenant security deposits held and other collateral.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due and arises from the Group's management of its working capital and the finance charges and amortisation of its loans and borrowings.

Notes to the Consolidated Financial Statements (continued)

The Group's policy is to seek to maintain cash balances to meet all short and medium term requirements. The Group has a low level of gearing relative to the property investment sector as a whole and has long standing relationships with many leading banks and financial institutions from which the Board expect to be able to raise further funds if required. At 31 March 2015, gearing was 16.4 per cent. (2014 – 17.6 per cent.) on the basis of gross debt to gross assets. Cash and short-term deposits at 31 March 2015, were £52.3 million (2014 – £59.1 million) and £21.8 million of loans and borrowings were repayable within one year (2014 – £7.7 million). In addition, at the same date, the Group had undrawn committed facilities of £48.8 million (2014 – £35.0 million), which expire between 2017 and 2020.

The maturity analysis of the undiscounted cash flows arising from the Group's financial liabilities at 31 March 2015 was as follows:

			2015			
	Carrying amount	*Aggregate undiscounted cash flows*	*Due within one year*	*Due within 1-2 years*	*Due within 2-5 years*	*Due after more than 5 years*
	£000	£000	£000	£000	£000	£000
Bank loans	**83,400**	**83,400**	**1,375**	**21,375**	**60,650**	**–**
Mortgages	**239,390**	**221,009**	**17,287**	**13,559**	**66,431**	**123,732**
Interest	**–**	**74,459**	**10,592**	**9,655**	**21,637**	**32,575**
Interest rate swaps	**3,958**	**4,610**	**1,267**	**1,267**	**2,076**	**–**
Trade and other payables	**41,921**	**41,921**	**41,921**	**–**	**–**	**–**
	368,669	**425,399**	**72,442**	**45,856**	**150,794**	**156,307**

			2014			
	Carrying amount	*Aggregate undiscounted cash flows*	*Due within one year*	*Due within 1-2 years*	*Due within 2-5 years*	*Due after more than 5 years*
	£000	£000	£000	£000	£000	£000
Bank loans	80,142	80,142	1,375	27,986	50,781	–
Mortgages	211,437	199,757	3,811	15,762	79,066	101,118
Interest	–	69,789	9,700	9,427	19,838	30,824
Interest rate swaps	4,095	5,926	1,278	1,278	3,370	–
Trade and other payables	41,210	41,210	41,210	–	–	–
	336,884	396,824	57,374	54,453	153,055	131,942

Market risk

Market risk arises mainly from the impact that changes in interest rates might have on the cost of Group borrowing and the impact that changes in the US dollar/sterling exchange rate might have on the Group's USA net assets.

Interest rates

The Group seeks to reduce the interest rate risk by fixing rates on a majority of its loans and borrowings, whilst maintaining some loans at floating rates in order to retain flexibility in relation to short term interest rates. Interest rates are fixed either through the use of fixed rate mortgage finance or through interest rate swaps. The Group does not speculate in treasury products but uses these only to limit exposure to potential interest rate fluctuations. The interest rate profile of the Group's loans and borrowings is set out in Note 15.

It is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £0.6 million per annum, on the basis of the floating rate debt outstanding at 31 March 2015, after taking account of the interest swaps in place.

There also exists a risk to the income statement arising from the recognition and re-measurement of fixed rate debt and interest rate swaps at fair value. It is estimated that a general increase of one percentage point in interest rates would give rise to a reduction in fair value of fixed rate debt and interest rate swaps outstanding at 31 March 2015 of £12.3 million, together with a corresponding increase in the Group's profit before taxation.

Interest rate swaps

The interest rate swaps held by the Group at the year end were as follows:

	Contracted rate (excluding margin)		*Notional principal*		*Fair value*	
	2015	*2014*	***2015***	*2014*	***2015***	*2014*
	Per cent.	*Per cent.*	***£000***	*£000*	***£000***	*£000*
Maturing within two to five years	**5.6**	5.6	**25,000**	25,000	**3,958**	4,095

Foreign exchange rates

The Group seeks to reduce its exposure to foreign currency risk in relation to its USA net assets by funding its USA investment property with US dollar denominated loans and borrowings. As the Group's investment in USA assets are held for the long term and funds are not usually returned to the UK, the Group's policy is not to hedge its residual exposure. Management monitors exchange rates on a regular basis and elects to transfer funds only when the rate is favourable to do so.

It is estimated that a 10 per cent depreciation of the US dollar against sterling would cause a decrease in the sterling value of the Group's USA net assets of £15.8 million.

Capital management

The capital structure of the Group consists of equity attributable to equity holders of the parent together with net debt. This is kept under constant review to ensure the Group has sufficient capital to fund its operations and that the Group's strategy of low gearing is maintained. The Group seeks to maintain a balance between longer-term finance appropriate to fund its long-term investment property holding strategy and cost effectiveness, given availability of debt in the market. Equity comprises issued share capital, reserves and retained earnings as set out in the consolidated statement of changes in equity. Net debt comprises a mix of fixed rate mortgages and shorter-term bank loans as set out in Note 15 and cash and short term deposits as set out in Note 12. All loans and borrowings are secured against investment property and the bank loans are drawn against committed facilities.

17. Related Party Transactions

Day-to-day management of the Group's properties and its operations in the UK is mainly carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies. They have no beneficial interest in the share capital of Highdorn Co. Limited. Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis are Directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company. Mr R E Freshwater has a beneficial interest in a trust holding interests in shares in Highdorn Co. Limited.

Notes to the Consolidated Financial Statements *(continued)*

In their capacity as property managing agents, Highdorn Co. Limited and Freshwater Property Management Limited collect rents and incur direct property expenses on behalf of the Group. At 31 March 2015, the aggregate net amounts due to the Group from Highdorn Co. Limited and Freshwater Property Management Limited was £5.9 million (2014 – £4.2 million). These amounts are not secured and are payable on demand. No guarantees have been given or received and the amounts are settled in cash.

The amounts paid and payable by the Group for the provision of property and other management services by Highdorn Co. Limited and Freshwater Property Management Limited, included above, were as follows:

	2015	*2014*
	£000	£000
Balance due to related party managing agents at 1 April	**951**	845
Charged during the year	**3,666**	3,629
Paid during the year	**(530)**	(3,523)
Balance due to related party managing agents at 31 March	**4,087**	951

The Directors' interests in the Company and the principal shareholders are described on page 22 and 23.

The Board considers that the Directors are the key management personnel of the Group and their remuneration is disclosed on page 26.

18. Contingent Liabilities

The Group is from time to time party to legal actions arising in the ordinary course of business. The Directors are not aware of any current actions which could have a material adverse effect on the financial position of the Group.

19. Operating Lease Agreements

The Group earns rental income by leasing its investment properties to tenants under operating leases which vary in terms and provisions between type of property and type of tenure. Leases providing for contingent rents are rare within the Group's property portfolio and no amounts for contingent rents are included in rental income for the year (2014 – £Nil).

At the balance sheet date, future minimum lease payments receivable by the Group under operating leases were as follows:

	2015	*2014*
	£000	£000
Due within one year	**71,932**	67,206
Due within one to two years	**44,778**	40,172
Due within two to five years	**98,554**	78,755
Due after more than five years	**303,841**	205,734
	519,105	391,867

Many of the Group's residential properties are let under assured shorthold tenancies which typically are for initial terms of 12 months or less, whereafter they are cancellable at short notice. The Group's experience is that a significant proportion of such tenancies are held over after the expiry of their initial term.

20. Subsidiary Undertakings

Except where indicated the following are indirect subsidiaries of the Company, where the Company's direct and indirect interest is in ordinary shares. All are wholly owned, unless as indicated below, property investment companies and are included in the consolidated financial statements.

Incorporated in Great Britain and registered in England and Wales

Agecroft Estates Limited
Alsam Limited
Astral Estates (London) Limited
Bagnight Limited*
Bampton (B&B) Limited
Bampton (Redbridge) Limited
Bampton Holdings Limited
Bampton Homes Limited
Bampton Management Limited
Bampton Property Group Limited (The)
Brickfield Properties Limited
Chilon Investment Co. Limited
City and Country (Londonderry House) Limited
City and Country Properties (Birmingham) Limited
City and Country Properties (Camberley) Limited
City and Country Properties (Estates) Limited
City and Country Properties (Gillingham) Limited
City and Country Properties (Leeds) Limited
City and Country Properties (Midlands) Limited
City and Country Properties Limited
Coindragon Limited*
Coineagle Limited*
Coinface Limited*
Coinmad Limited*
Coinmoat Limited*
Coinorbit Limited*
Coinpilot Limited*
Coinreach Limited*
Coinsmart Limited*
Coinspear Limited*
Coinsun Limited
Consbrix Developments Limited
Cromlech Property Co. Limited (The)
Crozera Limited
Daejan (Brentford) Limited*
Daejan (Brighton) Limited
Daejan (Cambridge) Limited
Daejan (Cardiff) Limited
Daejan (Care Homes) Limited*
Daejan (Dartford) Limited
Daejan (Design & Build) Limited*
Daejan (Durham) Limited*
Daejan (FH 1998) Limited
Daejan (FHNV 1998) Limited
Daejan (Hanger Hill) Limited*
Daejan (High Wycombe) Limited
Daejan (Kingston) Limited
Daejan (Lauderdale) Limited
Daejan (Norwich) Limited
Daejan (NUNV) Limited
Daejan (NUV) Limited
Daejan (PF) Limited
Daejan (Reading) Limited
Daejan (Taunton) Limited
Daejan (UK) Limited*
Daejan (US) Limited*
Daejan (Warwick) Limited
Daejan (Watford) Limited
Daejan (Wimbledon) Limited*
Daejan (Worcester) Limited
Daejan Commercial Properties Limited
Daejan Developments Limited
Daejan Enterprises Limited
Daejan Estates Limited
Daejan Investments (Grove Hall) Limited
Daejan Investments (Harrow) Limited
Daejan Investments (Park) Limited
Daejan Investments Limited
Daejan Metropolitan Investments Limited*
Daejan Properties Limited
Daejan Retail Properties Limited
Daejan Securities Limited*
Daejan Services Limited*
Daejan Traders Limited*
Daneryn Limited*
Derlingrange Limited*
Ealux Limited
Endell Developments Limited*
Endell Properties Limited*
Endell Real Estate Limited*
Esslock Limited
Fifth Charles Investments Limited*
First Charles Investments Limited*
Foredale Limited*
Gertsbrix Developments Limited

Notes to the Consolidated Financial Statements *(continued)*

Grapeseal Limited*
Halliard Property Co. Limited (The)
Hampstead Way Investments Limited
Inputstock Limited
Inputstripe Limited
Insworth Investments Limited*
Johnsbrix Developments Limited
Kingforge Limited*
Kintsilk Investments Limited
Lawnstamp Limited
Lesbrix Developments Limited
Limebridge Co. Limited
Lookstate Limited
Lyme & Farrar Limited
Marfred Limited
Mineral and General Investments Limited
Modboon Limited*
Mont Investments Limited
Offerworld Limited
Pegasus Investment Company Limited
Ronend Properties Limited*
Rosebel Holdings Limited
Seaglen Investments Limited
Semlark Limited*
Simlock Limited
St. Leonards Properties Limited
Strand Palace Hotel Limited*
Summerseas Investment Co. Limited
Temple Investments Limited
Wisebourne Limited*
Workvideo Limited*

Incorporated in Guernsey

Daejan Financing Limited
Three Dials Limited
Four Dials Limited
Eight Dials Limited
Nine Dials Limited
Ten Dials Limited

Incorporated in the Isle of Man

Temple Investments Limited

Incorporated in the USA

Daejan U.S. Inc.
77NW LLC
200 Portland LLC
260 Realty Associates**
427 West 51st Street Owners Corp.
611 West 158th Street Corp.
670 River Realty Corp.
730 GC Realty Corp.
1750 GC LLC
3380 Nostrand LLC

Ace 2160 Wallace LLC
Ace 2180 Wallace LLC
Ace 2181 Wallace LLC
CM Bucks Landing 120 LLC
Daejan 1010 Regency LLC
Daejan 11 E Chase LLC
Daejan 3120 Court LLC
Daejan Astoria LLC
Daejan Baltimore Inc.
Daejan Crossroads LLC
Daejan Enterprises Inc
Daejan Fisherman's Landing LLC
Daejan Greenwich Commons LLC
Daejan Hidden Palms LLC
Daejan Inverarry LLC
Daejan Lauderhill inc.
Daejan Lycoming LLC, inc
Daejan N.Y. Ltd.
Daejan Oak Manor, Inc
Daejan Portland, inc.
Daejan U.S. Inc.*
Daejan, 77 inc.
DJN Crossroad, inc.
DJN Greenwich Inc.
DJN Raritan LLC
Ivory 1150 Concourse Corp.
Ivory 1166 G.C. Realty Corp.
Ivory 3045 Grand Concourse Corp.
Ivory 3591 Bainbridge Corp.
Ivory 3780 Bronx Blvd. Corp.
Ivory 3908 Bronx Realty Corp.
Ivory 780 Grand Corp.
Ivory 790 G.C. Corp.
New Franconia Associates***
Sevens G.C. Realty Corp.
Tampa Sunscape inc.

* Directly owned.
** 75% owned.
*** 70% owned.

Company Balance Sheet

as at 31 March 2015

	Notes		*2015*		*2014*
		£000	**£000**	£000	£000
Fixed assets					
Investment in subsidiary undertakings	*3*		**1,639,864**		1,395,788
Current assets					
Debtors		**47**		206	
Cash at bank		**15,412**		18,990	
		15,459		19,196	
Creditors: amounts falling due within one year	*4*	**(256,603)**		(237,809)	
Net current liabilities			**(241,144)**		(218,613)
Total assets less current liabilities			**1,398,720**		1,177,175
Creditors: amounts falling due after more than one year	*5*		**(65,127)**		(66,707)
Net assets			**1,333,593**		1,110,468
Capital and reserves					
Called up share capital	*6*		**4,074**		4,074
Share premium account	*7*		**555**		555
Revaluation reserve	*7*		**318,382**		78,187
Other reserves	*7*		**893**		893
Profit and loss account	*7*		**1,009,689**		1,026,759
Equity shareholders' funds	*8*		**1,333,593**		1,110,468

The financial statements on pages 67 to 70 were approved by the Board of Directors on 23 July 2015 and were signed on its behalf by:

B.S.E. Freshwater Director

D. Davis Director

Notes to the Company Financial Statements

1. *Accounting Policies*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments in subsidiaries, and in accordance with applicable UK accounting standards and applicable law. As permitted by section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented. The Company's loss for the year after taxation is £2,234,000 (2014 – Profit £71,412,000).

(b) Investments in subsidiary undertakings

Investments in subsidiary undertakings comprise shares in, and loans to, those undertakings and are stated at fair value in order better to reflect the underlying value of those assets. Fair value has been assessed by the Directors having regard to the underlying net assets of the subsidiary undertakings and the fair values of the investment properties held by those undertakings where such fair value is not included in the net assets.

(c) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction and gains and losses on translation are included in the profit and loss account.

2. *Profit on Ordinary Activities before Taxation*

The Company has no staff other than its Directors and their remuneration is set out on page 26 of the Group accounts. The parent company audit fee is disclosed on page 50 of the Group accounts.

3. *Investments in Subsidiary Undertakings*

	Shares at valuation £000	*Loans* £000	*Total* £000
At 1 April 2014	**1,070,120**	**325,668**	**1,395,788**
Loans	**–**	**3,881**	**3,881**
Revaluation	**219,090**	**–**	**219,090**
Effect of foreign exchange differences	**21,105**	**–**	**21,105**
At 31 March 2015	**1,310,315**	**329,549**	**1,639,864**

The historical cost of shares in subsidiary undertakings is £992.0 million (2014 – £992.0 million).

4. *Creditors: Amounts falling due within one year*

	2015	2014
	£000	£000
Bank loans and overdrafts	**1,580**	1,569
Amounts owed to subsidiary undertakings	**249,871**	229,636
Other creditors and accruals	**5,152**	3,870
Taxation	**–**	2,734
	256,603	237,809

5. *Creditors: Amounts falling due after more than one year*

	2015	2014
	£000	£000
Secured bank loans	**65,127**	66,707

6. *Share Capital*

		2015	2014
	Number	**£000**	£000
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	**16,295,357**	**4,074**	4,074

7. *Reserves*

	£000
Share premium account:	
At 1 April 2014 and 31 March 2015	**555**
Other non-distributable reserves:	
At 1 April 2014 and 31 March 2015	**893**
Revaluation reserve:	
At 1 April 2014	**78,187**
Revaluation surplus	**240,195**
At 31 March 2015	**318,382**
Profit and loss account:	
At 1 April 2014	**1,026,759**
Foreign exchange movements	**(1,474)**
Profit after tax for the year	**(2,234)**
Dividend paid in the year	**(13,362)**
At 31 March 2015	**1,009,689**

Some years ago, the Company sold its shareholdings in certain subsidiary undertakings to intermediate holding companies. As a result of that transaction, the parent company transferred £645.1 million of revaluation gains relating to these investments to the profit and loss reserve. As the

Notes to the Company Financial Statements (continued)

transfer of these revaluation gains arose as a result of a sale of assets within the Group, it is unlikely that the Company will seek to treat the profit and loss reserve thus arising as distributable.

Under the articles of association of certain Group investment undertakings, realised capital surpluses are not available for distribution as dividends.

8. Reconciliation of Movements in Shareholders' Funds

	2015	*2014*
	£000	£000
(Loss)/profit after tax for the year	**(2,234)**	71,412
Revaluation surplus	**240,195**	78,187
Foreign exchange movements	**(1,474)**	(9,498)
Dividend paid in the year	**(13,362)**	(14,503)
Net movement in shareholders' funds	**223,125**	125,598
Shareholders' funds at 1 April	**1,110,468**	984,870
Shareholders' funds at 31 March	**1,333,593**	1,110,468

Group Five-Year Record

	2011 £000	*2012* £000	*2013* £000	*2014* £000	***2015*** **£000**
Total rental and related income	102,692	107,094	111,037	112,202	**128,976**
Property operating expenses	(60,743)	(68,036)	(67,017)	(68,789)	**(70,041)**
Net rental and related income	41,949	39,058	44,020	43,413	**58,935**
Profit on disposal of investment properties	9,257	16,254	6,612	11,320	**12,036**
Net valuation gains on investment properties	52,024	15,683	82,694	119,648	**229,722**
Administrative expenses	(10,558)	(11,135)	(10,936)	(10,550)	**(11,821)**
Net operating profit before financing costs	92,672	59,860	122,390	163,831	**288,872**
Net financing (expense)/income	(8,309)	(18,011)	(10,707)	674	**(16,932)**
Profit before taxation	84,363	41,849	111,683	164,505	**271,940**
Income tax	(16,530)	(8,819)	(21,923)	(14,337)	**(48,935)**
Profit for the year	67,833	33,030	89,760	150,168	**223,005**
Earnings per share	£4.16	£2.02	£5.50	£9.19	**£13.68**
Total assets	1,345,941	1,364,905	1,523,184	1,660,166	**1,970,243**
Equity shareholders' funds	838,100	903,806	984,870	1,110,468	**1,333,593**
Equity shareholders' funds per share	£51.43	£55.46	£60.44	£68.15	**£81.84**

Directors and Advisers

Directors

B S E Freshwater

(Chairman and Managing Director)

A E Bude (non-executive)

D Davis (non-executive)

S I Freshwater

A M Freshwater (non-executive)

R E Freshwater (non-executive)

Secretary

M R M Jenner F.C.I.S.

Registered & Head Office

Freshwater House,

158-162 Shaftesbury Avenue,

London WC2H 8HR

Registered in England

No. 305105

Registrars

Equiniti

Aspect House

Spencer Road,

Lancing,

West Sussex BN99 6DA

Auditor

KPMG LLP

15 Canada Square

London E14 5GL

Consulting Accountants

Cohen Arnold

New Burlington House,

1075 Finchley Road,

London NW11 0PJ

Principal Bankers

Lloyds Banking Group plc

Barclays Bank PLC

The Royal Bank of Scotland Group plc

Stockbrokers

N+1 Singer

1 Bartholomew Lane,

London EC2N 2AX

Notice of Meeting

Notice is hereby given that the Eightieth Annual General Meeting of Daejan Holdings PLC will be held at The Grand Saloon, Theatre Royal Drury Lane, Catherine Street, London WC2B 5JF, on 3 September at 2 p.m. for the following purposes:

Ordinary Business
To consider and if thought fit, pass the following Ordinary Resolutions:

1. To receive the Financial Statements for the year ended 31 March 2015 together with the Reports of the Directors and the Auditors. (Resolution 1)
2. To approve the Directors' Remuneration Policy. (Resolution 2)
3. To approve the Remuneration Report for the year ended 31 March 2015. (Resolution 3)
4. To declare a final dividend. (Resolution 4)
5. To elect Mr A E Bude as a Director (Resolution 5)
6. To re-elect B S E Freshwater as a Director. (Resolution 6)
7. To re-elect S I Freshwater as a Director. (Resolution 7)
8. To re-elect D Davis as a Director. (Resolution 8)
9. To re-elect R E Freshwater as a Director. (Resolution 9)
10. To re-elect A M Freshwater as a Director. (Resolution 10)
11. To appoint KPMG LLP as Auditor, and to authorise the Directors to agree its remuneration. (Resolution 11)

By order of the Board

M R M Jenner
Secretary

23 July 2015

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting and at any adjournment of it. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. If a proxy appointment is submitted without indicating how the proxy should vote on any resolution, the proxy will exercise his/her discretion as to whether and, if so, how he/she votes.
2. A proxy need not be a member of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's Registrar, Equiniti Limited, on 0871 384 2203 (international callers: +44 121 415 7047). Calls to this number cost 8p per minute plus network extras. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday. Members may also appoint a proxy through the CREST electronic proxy appointment service as described in note 13 below.
3. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 2.00 p.m. on 1 September 2015, together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a duly certified copy of that power or authority.
4. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in note 13(a) below) will not prevent a member attending the meeting and voting in person if he/she wishes to do so.
5. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

Notice of Meeting *(continued)*

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1, 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
8. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6:00 p.m. on 1 September 2015 (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (i) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information or (ii) the answer has already been given on a website in the form of an answer to a question or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. As at the date of issue of this notice the Company's issued share capital consists of 16,295,357 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at the date of issue of this notice are 16,295,357.
13. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting by using the procedures described in the CREST Manual which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following:
    (a) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    (b) CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

    (c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares.
15. A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.daejanholdings.com.
16. You may not use any fax number, email address or other electronic address provided in this document or on the proxy form to communicate with the Company for any purpose other than expressly stated.

sterling 165280
Design & Art Direction by Roger Watt

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