

# DAEJAN HOLDINGS PLC

*Annual Report & Accounts  
2013*







# DAEJAN HOLDINGS PLC

*Annual Report  
& Accounts  
2013*

## *Summary of Results*

	<i>Year ended 31 March</i>	
	<b>2013</b>	2012
	<b>£000</b>	£000
Profit before taxation	<b>111,683</b>	41,849
Profit after taxation	<b>89,760</b>	33,030
Earnings per share	<b>£5.50</b>	£2.02
Dividends per share	<b>79p</b>	76p
Equity shareholders' funds per share	<b>£60.44</b>	£55.46

Final dividend of 54p per share payable on 8 November 2013 to shareholders on the register on 11 October 2013.

## *Contents*

Summary of Results	1
Chairman's Statement	2
Directors' Report	12
Directors' Remuneration Report	16
Corporate Governance	18
Directors' Responsibilities	22
Independent Auditor's Report	23
Consolidated Income Statement	25
Consolidated Statement of Comprehensive Income	26
Consolidated Statement of Changes in Equity	26
Consolidated Balance Sheet	27
Consolidated Statement of Cash Flows	28
Notes to the Consolidated Financial Statements	29
Company Balance Sheet	49
Notes to the Company Financial Statements	50
Five-Year Record	53
Directors and Advisers	54
Notice of Meeting	55

## Chairman's Statement



I have pleasure in presenting my Report and our Accounts for the year ended 31 March 2013.

This year, the UK has seen a continuation of the difficult operating conditions to which we have become accustomed in recent times. In the USA however, our experience has been more encouraging with a move to a more normal trading environment. Against this background it is pleasing to be able to report an uplift in value of our investment property holdings of 12.2% and a profit before tax of £111.7 million; both represent a significant increase on last year's levels.

### Investment properties

The table below shows a summary of the valuation of our investment property:

	Valuation March 2013 £m	Percentage change
<b>Commercial property</b>		
UK	639.0	+12.7%
USA	44.9	+16.1%
<b>Residential property</b>		
UK	464.3	+8.9%
USA	262.4	+16.8%
<b>Total</b>	<b>1,410.6</b>	<b>+12.2%</b>

### Revaluation

Once again in the UK we have seen strong growth from our Central London residential properties but only modest growth in the value of residential properties outside the London area. The net result of these movements was an 8.7% uplift (2012 - 3.8%). This year's revaluation of UK commercial property has benefited from a significant uplift in the value of Africa House, WC2 where the major refurbishment programme is close to completion. In general the pattern has been for increases in London commercial property values to be counterbalanced by downward movement in values in the provinces. In aggregate, UK commercial properties produced a net upward movement upon revaluation of 3.1% (2012 - 3.0% reduction). The overall net result of the revaluation of all UK properties was an uplift of £54.9 million, equivalent to 5.5% (2012 - 0.2% reduction).

In the USA a combination of strong demand and improving rents in the residential sector and improved tenant operating income and capitalisation rates in the commercial sector has resulted in uplifts in property values in all of the areas in which we operate. New York properties in particular continue to show significant growth. In total the valuation increase in our USA portfolio was \$43.0 million (2012 - \$29.7 million) equivalent to 10.1% (2012 - 7.7%).

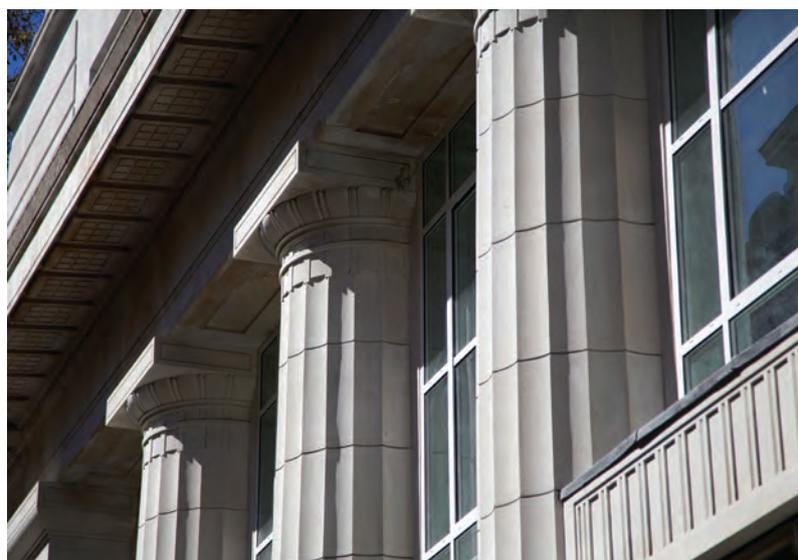
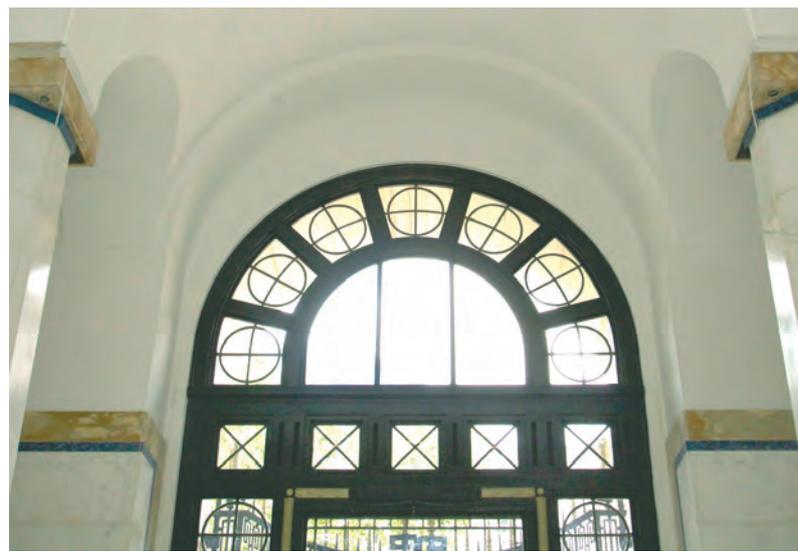
### Movement in valuation of the total investment property portfolio

The table below provides an analysis of the movement in the value of the total investment property portfolio and the impact of acquisitions, additions and disposals, together with revaluation and foreign exchange movements over the year.

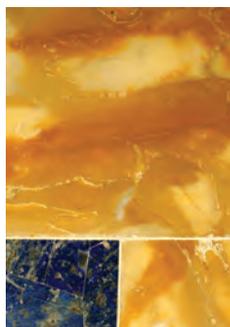
	2013 £m	2012 £m
Opening valuation	1,254.1	1,224.8
New acquisitions	37.2	15.1
Additions to existing properties	20.5	10.5
Disposals	(0.6)	(12.6)
	1,311.2	1,237.8
Revaluation gain	82.7	15.7
Foreign exchange gain	13.6	0.6
Closing valuation*	1,407.5	1,254.1

\*In this table and in the financial statements, the total valuation of £1,407.5 million (2012 - 1,254.1 million) is stated net of £3.1 million (2012 - £2.6 million) of lease incentives, as required by accounting standards - see Note 9 to the consolidated financial statements.

*Pictures on these pages show the extensive refurbishment of Africa House, Kingsway, London, WC2*



## Chairman's Statement *(continued)*



### New investment and funding

During the year we have added to our property holdings in Oxford Street, W1 with an acquisition at a cost of £36.5 million. We are constantly alert for new investment opportunities which meet our rigorous selection criteria. We will only invest where an asset is likely to produce meaningful long term increases in value.

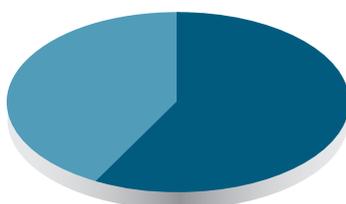
During the year a total of £20.5 million (2012 - £10.5 million) was spent on additions to existing properties.

We have, during the period, seen a slight improvement in the terms being quoted for bank finance albeit that such funding is of a relatively short term nature, typically 7 years or less. A healthy UK economy and, in particular, the property investment sector require a return to the market of more lenders offering longer term finance to fund the acquisition of long term assets.

### Analysis by property type

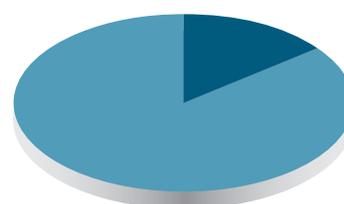
#### Property UK

Commercial £639.0m Residential £464.3m



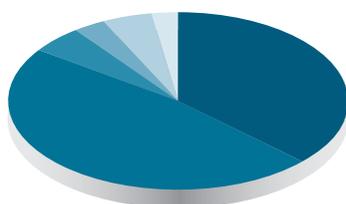
#### Property USA

Commercial £44.9m Residential £262.4m



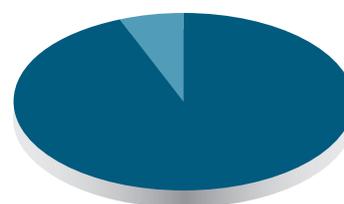
#### Commercial Property UK

Offices £237.7m Retail £303.9m  
Leisure £33.1m Land & Development £18.8m  
Industrial £30.3m Care Homes £15.2m



#### Commercial Property USA

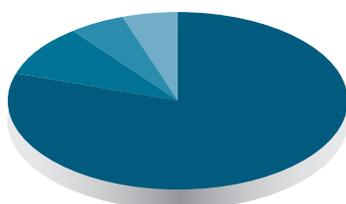
Offices £42.2m Retail £2.7m



### Analysis by location

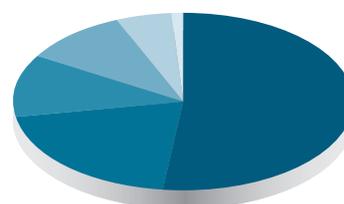
#### UK Valuations

London & the South £883.3m  
Midlands & East Anglia £105.9m  
Wales & West £59.0m  
North & Scotland £55.2m



#### USA Valuations

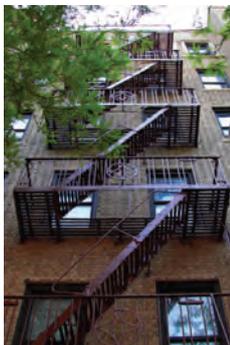
New York £160.3m Florida £62.2m  
Boston £35.1m New Jersey £30.7m  
Baltimore £16.3m Pennsylvania £2.7m



*Pictures on these pages show the new scenic lifts and a detail of the new eighth floor at Africa House, Kingsway London, WC2*



## Chairman's Statement *(continued)*



### Development Activity

The major scheme of refurbishment at Africa House, WC2 continued throughout the year. The project is now scheduled to complete in August 2013 and tenant marketing is about to commence. This year's professional revaluation has confirmed a significant uplift in the value of this property.

We continue actively to explore potential development opportunities within our property portfolio with a view to enhancing rental income and thereby capital values. Our long term and prudent approach to development activity means that it can take several years to bring projects to completion. In addition to several smaller development projects which are currently under way, we are considering a number of more significant schemes which I would hope to be able to report on in subsequent years.

### Results for the year

The profit before taxation for the year ended 31 March 2013 amounts to £111.7 million (2012 - £41.9 million). The result includes a net valuation gain of £82.7 million arising on investment properties (2012 - £15.7 million).

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

	2013 £m	2012 £m
Total rental and related income from investment property	111.0	107.1
Property operating expenses	(67.0)	(68.0)
Net rental and related income from investment property	44.0	39.1
Profit on disposals of investment property	6.6	16.2
Administrative expenses	(10.9)	(11.1)
Net operating profit before net valuation gains	39.7	44.2
Net valuation gains on investment property	82.7	15.7
Net financing costs	(10.7)	(18.0)
Profit before taxation	111.7	41.9



*Above and below:  
780-90  
Grand Concourse,  
The Bronx,  
New York, USA*

This year has seen increases in rental income in both the UK and USA which when combined with a slight reduction in operating expenses results in an increase in net rental and related income from investment property of £4.9 million (2012 - £2.9 million reduction).

Residential occupancy rates have continued to improve in both the UK and USA. The UK commercial market continues to be difficult particularly outside the London area where, in some locations, we have experienced downward pressure on both occupancy rates and rental levels.

Last year's profit on disposals of investment property benefited from the sale of a significant development site which has not been repeated. The sale of lease extensions has continued in 2013 at a very similar level to the previous year.

Interest costs have reduced by £0.5 million and this, when combined with a significant reduction in the fair value adjustments on financial instruments has resulted in an overall reduction in net financing costs of £7.3 million (2012 - £9.7 million increase).

#### **Dividend**

It is a tribute to the strength and steady growth of your Company that the Board has been able to sustain or increase the annual dividend for many years including the recession years which we have experienced of late.

The encouraging results in 2013 combined with our confidence for the future gives your Board the basis on which to recommend an increase in the total dividend to 79p (2012 - 76p).

#### **Balance Sheet**

At 31 March 2013 shareholder's funds amounted to £984.9 million (2012 restated - £903.8 million). This is equivalent to £60.44 per share (2012 restated - £55.46) an increase of 8.9%.

Cash deposits at 31 March 2013 amounted to £63.5 million (2012 - £32.5 million). Undrawn medium term facilities were £20 million (2012 - £64.6 million).

Gearing at 18.9% is up from 16.9% last year although it remains comparatively low for the property industry.



*Above & below:  
325 East 80th Street,  
Manhattan.*

*Below left:  
41-25 44th Street,  
Sunnyside, Queens,  
New York, USA*



## Chairman's Statement *(continued)*



Following changes in accounting standards it has been necessary to restate the balance sheets for 1 April 2011 and 31 March 2012. The impact on the prior year opening balance sheet has been to increase retained earnings by £44.9 million. The detail of this restatement together with its impact on current and prior year financial statements is set out in note 1(b) on page 29 of the Report and Accounts.

### **Environment**

Where we undertake new developments and major schemes of refurbishment we strive to achieve the highest environmental standards consistent with the nature of the building and the scheme being undertaken. This can be clearly seen with the Africa House scheme which has achieved a BREEAM excellent rating (BREEAM is a widely used environmental assessment method for buildings). It also includes other environmental features such as a bio-mass boiler, rainwater harvesting and bio-diverse planting together with facilities to enable and encourage cycling to work.

So far as concerns the majority of our portfolio, which consists of properties constructed before the advent of modern environmental standards, it would be neither practically nor economically feasible to embark on a complete upgrade to meet modern requirements. However, we do take the opportunities which arise each year when undertaking programmes of repair and refurbishment to improve the energy efficiency of our buildings and the plant therein.

### **Employees**

Every organisation ultimately depends for its success upon the dedication and professionalism of its staff. We are fortunate that our policy of sustaining a stable workforce who stay with us for the long term ensures that experience gained over the years is retained and applied for the benefit of the Group.

Staff are encouraged to pursue appropriate programmes of training and development.

*Above & below:  
Cadogan Square,  
Glasgow*

### **Health and safety**

We recognise the importance of ensuring that our properties provide a safe and healthy environment for our tenants, staff and all other users. We approach this issue in two ways:



- Ensuring that all members of staff from caretakers to surveyors receive continuing training in the identification and management of health and safety risks. Every member of staff is required to be familiar with health and safety policies and has responsibility for ensuring that they are implemented in their area of work.
- Specialist consultants are retained to undertake regular cyclical risk assessments of all properties for which we have responsibility. Issues raised by this process are allocated to a dedicated team to ensure they are resolved on a timely basis. This team also monitors performance and compliance.

A report is prepared and presented annually at Board and senior management level to ensure that there is an awareness of health and safety issues at the highest level within the Group.



### Community

We have long recognised the importance of supporting the communities in which we operate. This takes two principal forms:

- Donations, largely to educational charities; this year the donations amounted to £150,000 (2012 - £150,000).
- 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 £785,000 (2012 - £775,000) have passed to charitable companies.

### Risks

The risks which we face fall into two categories:

#### Sectoral risks

These are risks common to all companies operating in the investment property sector.

- The slow return to economic growth in the UK means that there is a continued risk of failure amongst tenants which could result in increased bad debts, a loss of rental income and increased vacancies. In the USA a return to modest economic growth means that this is less of an issue.

*Above & below left:  
Witley Court,  
London WC1*

*Below:  
Vincent Court,  
London NW4*



## Chairman's Statement *(continued)*



- Banking institutions are under pressure from Government to make funds available to business. At the same time those institutions are under pressure from regulatory authorities to strengthen their capital ratios and in this regard the weightings attached to long term lending are the most stringent. The risk of these contradictory pressures is that the availability of long term finance essential to fund acquisitions, developments and major schemes of refurbishment may be curtailed.

### *Company risks*

These are the risks specific to the Company which arise from the way we undertake our business.

- In the last two years the growth in value of our UK portfolio has almost entirely been derived from properties in the London area. Until growth returns to the country as a whole, any slowdown in the rate of growth in the Central London market could significantly reduce the net annual revaluation uplifts on the UK portfolio. Changes in aggregate property values have a direct impact on the net worth of the Company.
- With over 20% by value of the Group's property portfolio located in the USA, movements in the sterling/dollar exchange rate will produce accounting adjustments in the Group's consolidated financial statements. The overall impact in the current year is not significant but this may not always be the case.
- Changes in market interest rates may result in fair value adjustments to the financial instruments which we hold which in turn may impact on the reported profit.

*This page:  
Glenloch Court,  
West Hampstead,  
London, NW3*



**Outlook**

In the USA it is encouraging to see a return to economic growth which is bringing with it an increased demand for accommodation which in turn leads to improved rental and capital values.

So far as the UK is concerned it has been reported that the economy avoided a “double-dip” recession. Unfortunately the overall rate of growth is presently so feeble as to be barely detectable, although recently there have been some voices anticipating real improvement.

Within the UK the London market is continuing to drive ahead and now seems to be uncoupled from the rest of the country where we have seen only modest growth and in some cases values have continued to slip. This trend looks set for the immediate future. Fortunately the majority of our UK properties are situated in and around London.

We have a diversified portfolio which is well placed to benefit from those parts of the market which are likely to experience growth in the coming year. Our focus continues to be on delivering steady long term growth in profits and asset values by the application of our entrepreneurial but prudent approach to business. Experience shows that this approach has served us well over the years and will continue to do so in the future.

Our sincere thanks must go to our dedicated and hardworking staff for their efforts on behalf of the Group throughout the year.



B S E Freshwater  
*Chairman*

*This page:  
Beacontree Plaza,  
Reading, Berks.*



## Directors' Report

---

The Directors have pleasure in presenting their report together with the financial statements for the year to 31 March 2013.

### *Principal Activities of the Group*

---

Daejan Holdings PLC is a holding company whose principal activity, carried on through its subsidiary undertakings, is property investment. In addition, where suitable opportunities are identified within the Group's investment portfolio, some development is also undertaken. The majority of the Group's property portfolio comprises commercial, industrial and residential premises throughout the UK, but the Group also has a significant portfolio of commercial and residential properties on the eastern seaboard of the USA. The Group's business model is generally to hold its investment property for the long term to generate rental income and capital appreciation, funded wherever possible by retained earnings and long term finance. However, each of the Group's investment properties are considered to be potentially for sale in the right circumstances.

### *Investment Property*

---

A professional valuation of all the Group's properties was carried out at 31 March 2013. The resultant figures are included in the financial statements now presented and the net increase of £82.7 million (2012 - £15.7 million) over previous book values has been included in the income statement. The Group's UK properties were valued by Colliers International, Chartered Surveyors and produced a revaluation surplus of £54.4 million (2012 - £2.5 million deficit). The Group's 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 revaluation surplus arising on the USA properties was £28.3 million (2012 - £18.2 million).

### *Business Review*

---

The Group's business review is included in the Chairman's Statement set out on pages 2 to 11 and is included in this report by reference.

### *Results and Dividend*

---

The profit for the year amounted to £89.8 million (2012 - £33.0 million, as restated). An interim dividend of 25p per share was paid on 8 March 2013 and the Directors now recommend the payment of a final dividend of 54p per share, making a total for the year of 79p per share (2012 - 76p per share).

### *Financial Objectives and Policies and Exposure to Financial Risk*

---

The Group operates a cautious financial policy within clear authorities 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 the maintenance of its many long standing relationships with leading banks and other financial institutions. The Group seeks to minimise the risk of sudden and 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.

There is no obligation or present intention to repay the Group's borrowings other than at maturity.

### *Payment Policy*

---

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of each contract or transaction, to ensure that those suppliers are aware of those terms and to abide by

the agreed terms of payment, providing that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not, however, follow any formal code or statement on payment practice.

## *Directors*

---

The Directors who served throughout the year, and who are still in office, are:

Mr B S E Freshwater  
Mr D Davis  
Mr S I Freshwater  
Mr R E Freshwater  
Mr A M Freshwater (USA)

Brief biographies of the Directors are as follows:

Mr B S E Freshwater. Aged 65 - 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 D Davis. Aged 78 - 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 62 - 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 43 - 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 42 - 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 section on page 18. The powers of Directors of the Company are as set out in the Company's articles of association.

## *Directors' Interests in Transactions*

---

Day-to-day management of the Group's properties in the United Kingdom 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 18 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 14 to the financial statements.

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

		Daejan Holdings PLC Ordinary Shares	
		<b>31 March 2013</b>	31 March 2012
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:

- 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.
- A further 2,908,116 shares (2012 - 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.
- 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 2013 a total of 7,876,431 shares (2012 - 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.
- 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 2013, 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 2013:

	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 2013 up to the date of signing this report.

### *Significant Agreements*

---

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 six bank loan and mortgage facilities which contain change-of-control clauses. Four 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 2013, these facilities represented £122.8 million (2012 - £79.2 million) of the loans and borrowings in the financial statements and all of the undrawn facilities (£20.0 million, 2012 - £64.6 million).

### *Charitable Donations*

---

Charitable donations made by the Group amounted to £150,000 (2012 - £150,000). There were no political contributions (2012 - £Nil).

### *Auditor*

---

The Company's auditor, KPMG Audit Plc, has notified the Company that it is not seeking reappointment due to a planned transfer of its business to its parent entity, KPMG LLP. In accordance with Section 485 of the Companies Act, resolutions for the appointment of KPMG LLP as auditor of the Company, and to authorise the Directors to determine its remuneration, are 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

17 July 2013

## Directors' Remuneration Report

### Audited Information

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

	<b>Salary</b>	<b>Fees</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>2013</b>			
Mr B S E Freshwater	800,000	20,000	820,000
Mr D Davis	-	20,000	20,000
Mr S I Freshwater	750,000	20,000	770,000
Mr R E Freshwater	-	20,000	20,000
Mr A M Freshwater	-	20,000	20,000
	<b>1,550,000</b>	<b>100,000</b>	<b>1,650,000</b>
<b>2012</b>			
Mr B S E Freshwater	750,000	20,000	770,000
Mr D Davis	-	20,000	20,000
Mr S I Freshwater	676,875	20,000	696,875
Mr R E Freshwater	-	20,000	20,000
Mr A M Freshwater	-	20,000	20,000
	<b>1,426,875</b>	<b>100,000</b>	<b>1,526,875</b>

### Unaudited Information

#### Compliance

The Company's compliance with the requirements of The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 is set out under Corporate Governance on page 20.

#### Policy

The remuneration policy adopted by the Board is designed to ensure that the Directors' interests are allied to the long-term growth of the Group and therefore to the interests of the shareholders as a whole. The Group does not operate any form of bonus scheme or share option scheme since the executive Directors' salaries for the year are determined by the Board once the results for the year are known, with any salary increase calculated and paid with effect from the beginning of the financial year. The Group pays no pension contributions in respect of the Directors.

#### Remuneration of non-executive Directors

The fees of the non-executive Directors are reviewed periodically by the executive Directors who make recommendations to the Board. The current level of £20,000 has been fixed for a number of years.

#### Service contracts

No Director has a service contract.

**Total shareholder return**

The following graph shows the total shareholder returns for the Company (rebased as at 1 April 2008) for each of the last five 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 performance.



Approved by the Board on 17 July 2013 and signed on its behalf by

*M R M Jenner*  
Company Secretary

## *Corporate Governance*

---

### *Corporate Governance*

---

The Board is required by the Financial Services Authority to report on the extent of its application of the principles and of its compliance with the provisions contained in the UK Corporate Governance Code (the “Code”).

Your Board fully supports the goal of better corporate governance and we comply with the majority of the principles of the Code.

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 independent non-executive participation at present would benefit our shareholders. We consider it vital that the principles 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 five 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 its 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 to enable 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. All Directors retire and submit themselves for re-election to shareholders at Annual General Meetings 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 three non-executive Directors. The names of the Directors together with their biographical details are set out on page 13. 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 not technically independent.

---

### *Directors' Remuneration*

---

Details of the Directors' remuneration are contained in the Directors' Remuneration Report on page 16.

---

### *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 and Financial Statements. This process is reviewed by the Board at regular intervals and accords with the Turnbull guidance.

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 are as follows:**

*Controls 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

## Corporate Governance *(continued)*

---

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 includes an annual review of the significant business risks, formally considering 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 the strategic and other issues with institutional shareholders and analysts.

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 and Financial Statements will be sent to shareholders at least twenty working days before the meeting.

### *Financial Reporting*

---

The Board is responsible for the preparation of the Annual Report and Financial Statements within which it seeks to present a balanced and understandable assessment of the Group's business. Further details are given in the Chairman's Statement.

### *Compliance Statement*

---

The Board considers the Company has complied throughout the year ended 31 March 2013 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.4.1-2; 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.6.1-3	Evaluation of the Board
C.3.1-6	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 Chairman's Statement on pages 2 to 11, which also refers to the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, Note 17 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 £24.0 million during the year (2012 - £11.1 million). Gearing, on the basis of gross debt to total assets, was 18.9% (2012 - 16.9%). Net debt (total loans and borrowings less cash and cash equivalents) has increased to £223.7 million (2012 - £198.7 million), due principally to the acquisition of and additions to investment property and the Group has undrawn committed facilities of £20.0 million at the balance sheet date. 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 despite the continued uncertain economic outlook. 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 of Directors' Responsibilities in respect of the Annual Report and Financial Statements*

---

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 (UK Generally Accepted Accounting Practice).

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 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.

By order of the Board,

*B S E Freshwater*  
Director

17 July 2013

## *Independent Auditor's Report*

---

### *Independent auditor's report to the members of Daejan Holdings PLC*

---

We have audited the financial statements of Daejan Holdings PLC for the year ended 31 March 2013 set out on pages 25 to 52. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### *Respective responsibilities of directors and auditor*

---

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

---

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### *Opinion on financial statements*

---

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- 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.

## *Independent Auditor's Report* (continued)

---

### *Opinion on other matters prescribed by the Companies Act 2006*

---

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 18 to 21 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

### *Matters on which we are required to report by exception*

---

We have nothing to report in respect of the following:

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; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 20 and 21, in relation to going concern;
- the part of the Corporate Governance Statement on page 20 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to Shareholders by the Board on directors' remuneration.

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

17 July 2013

## Consolidated Income Statement

<i>for the year ended 31 March 2013</i>	<i>Notes</i>	<b>Year ended 31 March 2013</b>	Year ended 31 March 2012 (Restated*)
		<b>£000</b>	£000
Gross rental income		<b>97,081</b>	92,955
Service charge income		<b>13,956</b>	14,139
<hr/>			
<b>Total rental and related income from investment property</b>		<b>111,037</b>	107,094
Property operating expenses	3	<b>(67,017)</b>	(68,036)
<hr/>			
<b>Net rental and related income from investment property</b>		<b>44,020</b>	39,058
<b>Profit on disposal of investment property</b>		<b>6,612</b>	16,254
<b>Net valuation gains on investment property</b>	9	<b>82,694</b>	15,683
<b>Administrative expenses</b>	4	<b>(10,936)</b>	(11,135)
<hr/>			
<b>Net operating profit before net financing costs</b>		<b>122,390</b>	59,860
<hr/>			
Fair value losses on fixed rate loans and borrowings		<b>(36)</b>	(4,717)
Fair value losses on derivative financial instruments		<b>(321)</b>	(2,167)
Fair value gains/(losses) on current investments		<b>8</b>	(3)
Other financial income	5	<b>740</b>	512
Financial expenses	5	<b>(11,098)</b>	(11,636)
<hr/>			
<b>Net financing costs</b>		<b>(10,707)</b>	(18,011)
<hr/>			
<b>Profit before taxation</b>		<b>111,683</b>	41,849
<b>Income tax</b>	6	<b>(21,923)</b>	(8,819)
<hr/>			
<b>Profit for the year</b>		<b>89,760</b>	33,030
<hr/>			
<b>Attributable to:</b>			
Equity holders of the parent		<b>89,601</b>	32,848
Minority interest		<b>159</b>	182
<hr/>			
<b>Profit for the year</b>		<b>89,760</b>	33,030
<hr/>			
<b>Basic and diluted earnings per share</b>	7	<b>£5.50</b>	£2.02

\*see Note 1(b)

## Consolidated Statement of Comprehensive Income

	<b>Year ended 31 March 2013</b>	Year ended 31 March 2012 (Restated*)
	<b>£000</b>	£000
<i>for the year ended 31 March 2013</i>		
Profit for the year	<b>89,760</b>	33,030
Foreign exchange translation differences	<b>3,847</b>	204
<b>Total comprehensive income for the year</b>	<b>93,607</b>	33,234
Attributable to:		
Equity holders of the parent	<b>93,448</b>	33,052
Minority interest	<b>159</b>	182
<b>Total comprehensive income for the year</b>	<b>93,607</b>	33,234

## Consolidated Statement of Changes in Equity

<i>for the year ended 31 March 2013</i>	Issued share capital £000	Share premium account £000	Translation reserve £000	Retained earnings £000	Equity shareholders' funds £000	Minority interest £000	Total equity £000
Balance at 1 April 2011 as previously reported	4,074	555	18,416	815,055	838,100	162	838,262
Impact of change in accounting policy (see Note 1(b))	-	-	-	44,876	44,876	-	44,876
Balance at 1 April 2011 as restated	4,074	555	18,416	859,931	882,976	162	883,138
Profit for the year (restated)	-	-	-	32,848	32,848	182	33,030
Foreign exchange translation differences	-	-	204	-	204	-	204
Movements in minority interest	-	-	-	-	-	(26)	(26)
Dividends to equity shareholders	-	-	-	(12,222)	(12,222)	-	(12,222)
Balance at 1 April 2012 as restated	4,074	555	18,620	880,557	903,806	318	904,124
Profit for the year	-	-	-	89,601	89,601	159	89,760
Foreign exchange translation differences	-	-	3,847	-	3,847	-	3,847
Movements in minority interest	-	-	-	-	-	(394)	(394)
Dividends to equity shareholders	-	-	-	(12,384)	(12,384)	-	(12,384)
Balance at 31 March 2013	4,074	555	22,467	957,774	984,870	83	984,953

\*see Note 1(b)

## Consolidated Balance Sheet

<i>as at 31 March 2013</i>	<i>Notes</i>	<b>31 March 2013</b>	31 March 2012 (Restated*)	1 April 2011 (Restated*)
		<b>£000</b>	£000	£000
<b>Assets</b>				
Investment property	9	1,407,544	1,254,094	1,224,800
Deferred tax assets	10	8,741	8,539	4,378
<b>Total non-current assets</b>		<b>1,416,285</b>	1,262,633	1,229,178
Trade and other receivables	11	43,150	69,578	41,221
Current investments	12	236	220	246
Cash and cash equivalents	13	63,513	32,474	75,296
<b>Total current assets</b>		<b>106,899</b>	102,272	116,763
<b>Total assets</b>		<b>1,523,184</b>	1,364,905	1,345,941
<b>Equity</b>				
Share capital	14	4,074	4,074	4,074
Share premium		555	555	555
Translation reserve		22,467	18,620	18,416
Retained earnings		957,774	880,557	859,931
<b>Total equity attributable to equity holders of the parent</b>		<b>984,870</b>	903,806	882,976
Minority interest		83	318	162
<b>Total equity</b>		<b>984,953</b>	904,124	883,138
<b>Liabilities</b>				
Loans and borrowings	16	268,943	213,085	194,577
Deferred tax liabilities	10	174,017	152,883	151,328
<b>Total non-current liabilities</b>		<b>442,960</b>	365,968	345,905
Bank overdrafts	13	–	150	–
Loans and borrowings	16	18,256	17,941	55,248
Trade and other payables	15	41,844	44,528	40,821
Current taxation		35,171	32,194	20,829
<b>Total current liabilities</b>		<b>95,271</b>	94,813	116,898
<b>Total liabilities</b>		<b>538,231</b>	460,781	462,803
<b>Total equity and liabilities</b>		<b>1,523,184</b>	1,364,905	1,345,941

The financial statements on pages 25 to 48 were approved by the Board of Directors on 17 July 2013 and were signed on its behalf by:

*B.S.E. Freshwater* Director

*D. Davis* Director

\*see Note 1(b)

## Consolidated Statement of Cash Flows

<i>for the year ended 31 March 2013</i>	<b>Year ended 31 March 2013</b>	<b>Year ended 31 March 2012</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Cash receipts from rent and service charges	123,511	111,453
Cash paid to suppliers and employees	(88,132)	(89,179)
Cash generated from operations	35,379	22,274
Interest received	303	509
Interest paid	(11,014)	(11,525)
Distributions to minority interest	(394)	(26)
Overseas tax paid	(294)	(122)
Net cash from operating activities	23,980	11,110
<b>Cash flows from investing activities</b>		
Acquisition and development of investment property	(57,668)	(25,618)
Proceeds from sale of investment property	28,454	7,620
Net cash absorbed by investing activities	(29,214)	(17,998)
<b>Cash flows from financing activities</b>		
Repayment of bank loans	(1,525)	(42,375)
New bank loans and overdrafts	44,611	150
Repayment of mortgages	(24,363)	(28,900)
New mortgages	29,374	47,283
Dividends paid	(12,384)	(12,222)
Net cash generated from/(absorbed by) financing activities	35,713	(36,064)
Net increase/(decrease) in cash and cash equivalents	30,479	(42,952)
Cash and cash equivalents brought forward	32,324	75,296
Effect of exchange rate fluctuations on cash held	710	(20)
<b>Cash and cash equivalents (Note 13)</b>	<b>63,513</b>	<b>32,324</b>

## 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 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were authorised for issuance on 17 July 2013.

#### (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 49 to 52.

#### (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.

A number of new standards, amendments to standards and interpretations became effective for the year ended 31 March 2013 but none of these had a material effect on the consolidated financial statements of the Group, except for *Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)*, as set out below. A number of new standards, amendments to standards and interpretations have been announced but are not yet effective for the year ended 31 March 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the consolidated financial statements.

With effect from 1 April 2012, the Group has adopted *Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)* and changed its accounting policy on measuring deferred tax arising from investment property that is measured using the fair value model in IAS 40 *Investment Property*. Under those amendments to IAS 12, any deferred tax arising from investment property is to be measured using a rebuttable presumption that the carrying amount of that property will be recovered entirely through sale. This presumption may be rebutted if the property is depreciable and held within a business model whose objective is to consume substantially all of the economic benefits over the life of the asset. The Directors recognise there is a need to adopt policies which provide comparability with general market practice, which is generally to assume recovery through sale, and also to reflect that, notwithstanding the long term nature of the Group's investment activity, each of the Group's investment properties are considered to be potentially for sale in the right circumstances. Accordingly, the Group now measures any deferred tax arising from the revaluation of investment property on the assumption that the carrying amount will be recovered through sale, i.e. after taking account of indexation. Previously the Group measured any such deferred tax on the basis of recovery through use, i.e. without taking account of indexation.

This change in accounting policy has been applied retrospectively. This has had the effect of reducing the deferred tax liability and increasing retained earnings in the consolidated balance sheet as at 1 April 2011 by £44.9 million. The effect on the consolidated statement of comprehensive income

## Notes to the Consolidated Financial Statements *(continued)*

and the consolidated balance sheet in the current year has been to recognise a tax credit of £2.6 million (2012: £3.1 million tax expense) with a corresponding decrease (2012: increase) in deferred tax liability. The effect of this change on basic and diluted earnings per share in the current year has been an increase of £0.16 (2012: £0.19 decrease).

The financial statements have been prepared on a going concern basis as explained in the Corporate Governance section on pages 20 and 21.

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 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 govern the financial and operating policies of an entity 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:

	<i>Year end</i>		<i>Average</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
US Dollar	<b>1.52</b>	1.60	<b>1.58</b>	1.60

### (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.

When the Group uses a part of a property it owns and retains the remainder to generate rental income or capital appreciation, the extent of the Group's utilisation is considered to determine the classification of the property. If the Group's utilisation is less than five per cent., this is regarded as immaterial such that the whole property is classified as an investment property and stated at fair value.

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 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 have therefore been included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## Notes to the Consolidated Financial Statements *(continued)*

---

### (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 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.

The cost of repairs is written off to the income statement in the year in which the expenditure occurred. 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. 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, the Group's policy is to be prudent in its assessment of the relevant tax charge or credit. 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.

## 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 comprise the large majority of the Group's total loans and borrowings.

### (iv) Valuation of hedging instruments

The fair value of hedging instruments 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.

	<i>UK</i>	<i>USA</i>	<i>Eliminations</i>	<i>Total</i>
<i>for the year ended 31 March 2013</i>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Rental and related income	78,928	32,109	-	111,037
Property operating expenses	(46,578)	(20,439)	-	(67,017)
Profit/(loss) on disposal of property	7,023	(411)	-	6,612
Net valuation movements on property	54,420	28,274	-	82,694
Administrative expenses	(10,227)	(709)	-	(10,936)
Profit before finance costs	83,566	38,824	-	122,390
Fair value losses	(1,180)	831	-	(349)
Other financial income	646	422	(328)	740
Financial expenses	(4,123)	(7,303)	328	(11,098)
Profit before taxation	78,909	32,774	-	111,683
Income tax charge	(6,888)	(15,035)	-	(21,923)
Profit for the year	72,021	17,739	-	89,760
Capital expenditure	55,202	2,466	-	57,668
Investment property	1,101,063	306,481	-	1,407,544
Other assets	77,273	46,980	(8,613)	115,640
Total segment assets	1,178,336	353,461	(8,613)	1,523,184
Total segment liabilities	(307,776)	(239,068)	8,613	(538,231)
Capital employed	870,560	114,393	-	984,953

	<i>UK</i> <i>(Restated*)</i>	<i>USA</i>	<i>Eliminations</i>	<i>Total</i> <i>(Restated*)</i>
<i>for the year ended 31 March 2012</i>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Rental and related income	77,094	30,000	-	107,094
Property operating expenses	(47,150)	(20,886)	-	(68,036)
Profit/(loss) on disposal of property	16,494	(240)	-	16,254
Net valuation movements on property	(2,467)	18,150	-	15,683
Administrative expenses	(10,598)	(537)	-	(11,135)
Profit before finance costs	33,373	26,487	-	59,860
Fair value losses	(4,980)	(1,907)	-	(6,887)
Other financial income	402	434	(324)	512
Financial expenses	(3,901)	(8,059)	324	(11,636)
Profit before taxation	24,894	16,955	-	41,849
Income tax credit/(charge)	2,378	(11,197)	-	(8,819)
Profit for the year	27,272	5,758	-	33,030
Capital expenditure	23,544	2,074	-	25,618
<i>as at 31 March 2012</i>				
Investment property	991,537	262,557	-	1,254,094
Other assets	77,613	38,110	(4,912)	110,811
Total segment assets	1,069,150	300,667	(4,912)	1,364,905
Total segment liabilities	(256,906)	(208,787)	4,912	(460,781)
Capital employed	812,244	91,880	-	904,124

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

### 3. *Property Operating Expenses*

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Porterage, cleaning and repairs	<b>31,407</b>	34,019
Insurance	<b>4,647</b>	4,137
Building services	<b>20,219</b>	18,893
Other management costs	<b>10,744</b>	10,987
	<b>67,017</b>	68,036

Of the property operating expenses shown above, an amount of £1,959,000 (2012 - £1,978,000) related to properties which generated no income during the year.

\*see Note 1(b)

## Notes to the Consolidated Financial Statements *(continued)*

### 4. Administrative Expenses

	2013	2012
	£000	£000
Salaries	6,035	5,895
Directors' remuneration	1,709	1,512
Audit and accountancy	755	730
Legal and other administrative expenses	2,437	2,998
	<b>10,936</b>	<b>11,135</b>

#### Auditors' remuneration:

During the year the Group paid KPMG Audit Plc £31,000 (2012 - £30,000) for the audit of the Company and £356,000 (2012 - £342,000) for the audit of the Group's subsidiaries, together with £4,000 (2012 - £15,000) for audit related assurance services and £30,000 (2012 - £49,000) for other services.

The Group jointly employed an average of 139 persons during the year (2012 - 139). The aggregate payroll costs were:

	2013	2012
	£000	£000
Wages	5,177	5,062
NI contributions	473	456
Pensions	385	377
	<b>6,035</b>	<b>5,895</b>

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

### 5. Financial Income and Expenses

	2013	2012
	£000	£000
Financial income:		
Bank interest receivable	497	168
Other financial income	243	344
	<b>740</b>	<b>512</b>
Financial expenses:		
Interest payable on bank loans	2,445	2,203
Interest payable on mortgages	8,622	9,410
Other interest payable	31	23
	<b>11,098</b>	<b>11,636</b>

## 6. Taxation

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

	2013	2012
		(Restated*)
	£000	£000
UK corporation tax	5,900	10,713
UK prior year items	(3,014)	619
	<b>2,886</b>	11,332
Overseas taxation	385	145
Total current tax	3,271	11,477
Deferred tax	23,258	2,855
Deferred tax - reduction in future tax rate and prior year items	(4,606)	(5,513)
Total deferred tax	18,652	(2,658)
Total tax charge	21,923	8,819
<b>Reconciliation of tax expense</b>		
Profit before taxation	111,683	41,849
Corporation tax at the standard UK rate of 24% (2012 - 26%)	26,804	10,881
Reduction in future tax rate and prior year items	(7,620)	(4,894)
Higher tax rate on overseas operations	7,169	3,410
Non-taxable items	(3,976)	(90)
Other	(454)	(488)
Total tax charge	21,923	8,819

UK prior year items for the year ended 31 March 2013 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.

The Finance Act 2012 enacted a reduction in the UK corporation tax rate from 24% to 23% with effect from April 2013. On 20 March 2013 the UK Government announced that the corporation tax rate will further reduce to 20% from April 2015, in addition to the planned reduction to 21% by April 2014 previously announced in the December 2012 Autumn Statement. Other than the enacted change to 23%, the effects of the announced changes are not reflected in these financial statements as they were either substantively enacted after the balance sheet date or they have not yet been enacted and, in each case, the impact has not yet been estimated.

## 7. Earnings per Share

Earnings per share is calculated on the earnings, after taxation and minority interests, of £89,601,000 (2012 - £32,848,000, as restated) and the weighted average shares in issue during the year of 16,295,357 (2012 - 16,295,357).

\*see Note 1(b)

## Notes to the Consolidated Financial Statements *(continued)*

### 8. Dividends

	2013	2012
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year to 31 March 2011, paid 11 November 2011 @ 50p per share		8,148
Interim dividend for the year to 31 March 2012, paid 2 March 2012 @ 25p per share		4,074
Final dividend for the year to 31 March 2012, paid 9 November 2012 @ 51p per share	8,310	
Interim dividend for the year to 31 March 2013, paid 8 March 2012 @ 25p per share	4,074	
	<b>12,384</b>	<b>12,222</b>

The Board has recommended a final dividend for the year to 31 March 2013 of £8,799,000, representing 54p per share. The dividend has not been included as a liability in these financial statements.

### 9. Investment Property

	<i>Freehold</i>	<i>Long Leasehold</i>	<i>Short Leasehold</i>	<i>Total 2013</i>	<i>Total 2012</i>
	£000	£000	£000	£000	£000
Balance at 1 April	997,576	244,874	11,644	<b>1,254,094</b>	1,224,800
Disposals	(81)	(499)	-	<b>(580)</b>	(12,628)
New acquisitions	36,909	265	-	<b>37,174</b>	15,129
Additions to existing properties	20,362	132	-	<b>20,494</b>	10,489
Revaluation	67,592	9,935	5,167	<b>82,694</b>	15,683
Reclassification	520	(595)	75	-	-
Foreign exchange movements	11,438	2,230	-	<b>13,668</b>	621
Balance at 31 March	1,134,316	256,342	16,886	<b>1,407,544</b>	1,254,094

Professional valuations of all the Group's UK investment properties were carried out at 31 March 2013 by Colliers International, Chartered Surveyors. The revalued figures of £1,103.4 million are based on open market values in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual. The Group's USA investment properties were also professionally valued at 31 March 2013 by Joseph J. Blake and Associates, Inc. and Metropolitan Valuation Services, Inc., USA Certified General Real Estate Appraisers. The revalued figures of £307.2 million are based on open market values. Professional valuations included in the above table have been stated net of £3.1 million of lease incentives which are included in Trade and other receivables.

The present value of future minimum lease payments in relation to the leasehold investment properties is not material.

Contractual obligations not yet invoiced or paid, for the purchase, construction, development or enhancement of investment properties, amounted to £13.2 million at 31 March 2013 (2012 - £19.8 million).

## 10. Deferred Tax Assets and Liabilities

	2013			2012		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	£000	£000	£000	£000	£000	£000
Investment property	-	(161,848)	(161,848)	-	(143,004)	(143,004)
Accelerated tax depreciation	-	(12,169)	(12,169)	-	(9,879)	(9,879)
Financial instruments	8,741	-	8,741	8,539	-	8,539
	<b>8,741</b>	<b>(174,017)</b>	<b>(165,276)</b>	<b>8,539</b>	<b>(152,883)</b>	<b>(144,344)</b>

The movement in deferred tax is as follows:

	Accelerated			Total	Total		
	Investment	tax	Financial			2013	2012
	£000	£000	£000	£000	£000		
Balance at 1 April	(143,004)	(9,879)	8,539	(144,344)	(146,950)		
Recognised in income	(16,587)	(1,947)	(118)	(18,652)	2,658		
Foreign exchange movements	(2,257)	(343)	320	(2,280)	(52)		
Balance at 31 March	(161,848)	(12,169)	8,741	(165,276)	(144,344)		

## 11. Trade and Other Receivables

	2013	2012
	£000	£000
Rent and service charges	20,717	21,177
Other debtors and prepayments	21,839	47,791
Mortgages granted repayable within one year	594	610
	<b>43,150</b>	<b>69,578</b>

Other debtors and prepayments includes £nil million relating to disposal of investment property (2012 - £21.3 million).

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

	2013			2012		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	10,803	-	10,803	9,007	-	9,007
Past due by less than one month	5,663	(222)	5,441	7,473	(265)	7,208
Past due by one to three months	2,200	(705)	1,495	2,434	(583)	1,851
Past due by three to six months	1,267	(585)	682	2,444	(1,250)	1,194
Past due by more than six months	9,562	(7,266)	2,296	10,888	(8,971)	1,917
	<b>29,495</b>	<b>(8,778)</b>	<b>20,717</b>	<b>32,246</b>	<b>(11,069)</b>	<b>21,177</b>

\*see Note 1(b)

## Notes to the Consolidated Financial Statements *(continued)*

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	<b>11,069</b>	11,626
Amounts written off	<b>(3,042)</b>	(2,281)
Movement in allowance for impairment	<b>751</b>	1,724
Balance at 31 March	<b>8,778</b>	11,069

### 12. Current Investments

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Listed securities	<b>236</b>	220

### 13. Cash and Cash Equivalents

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Bank balances	<b>31,159</b>	22,372
Short term deposits	<b>32,354</b>	10,102
Cash and cash equivalents in the balance sheet	<b>63,513</b>	32,474
Bank overdrafts	-	(150)
Cash and cash equivalents in the cash flow statement	<b>63,513</b>	32,324

Included within bank balances are tenants' deposits of £2,624,000 (2012 - £2,220,000) in the UK and £1,884,000 (2012 - £1,588,000) in the USA, which cannot be used in the ordinary course of business.

### 14. Share Capital

	<b>2013</b>	<b>2012</b>
	<b>Number</b>	<b>£000</b>
Allotted, called up and fully paid:		
Ordinary shares of 25 pence per share	<b>16,295,357</b>	<b>4,074</b>

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.

*15. Trade and Other Payables*

	<i>2013</i>	<i>2012</i>
	<b>£000</b>	<b>£000</b>
Rent and service charges charged in advance	<b>16,240</b>	15,750
Other creditors and accruals	<b>19,134</b>	22,629
Derivative financial instruments	<b>6,470</b>	6,149
	<b>41,844</b>	44,528

*16. Loans and Borrowings*

	<i>2013</i>	<i>2012</i>
	<b>£000</b>	<b>£000</b>
<b>Non-current liabilities</b>		
Mortgages	<b>173,800</b>	161,179
Bank loans	<b>95,143</b>	51,906
	<b>268,943</b>	213,085
<b>Current liabilities</b>		
Bank overdrafts	–	150
Mortgages	<b>16,881</b>	16,566
Bank loans	<b>1,375</b>	1,375
	<b>18,256</b>	17,941
<b>Total loans and borrowings</b>		
Bank overdrafts	–	150
Mortgages	<b>190,681</b>	177,745
Bank loans	<b>96,518</b>	53,281
	<b>287,199</b>	231,176

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:

	<i>2013</i>			<i>2012</i>
	<i>Bank loans and overdrafts</i>	<i>Mortgages</i>	<i>Total</i>	<i>Total</i>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Due within one year	<b>1,375</b>	<b>16,881</b>	<b>18,256</b>	18,091
Due within one to two years	<b>1,375</b>	<b>16,990</b>	<b>18,365</b>	16,902
Due within two to five years	<b>66,986</b>	<b>61,356</b>	<b>128,342</b>	72,248
Due after more than five years	<b>26,782</b>	<b>95,454</b>	<b>122,236</b>	123,935
	<b>96,518</b>	<b>190,681</b>	<b>287,199</b>	231,176

## Notes to the Consolidated Financial Statements *(continued)*

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

	2013			2012		
	Fixed £000	Floating £000	Total £000	Fixed £000	Floating £000	Total £000
Sterling	51,270	71,517	122,787	50,952	28,431	79,383
US Dollar	164,412	-	164,412	151,793	-	151,793
	<b>215,682</b>	<b>71,517</b>	<b>287,199</b>	<b>202,745</b>	<b>28,431</b>	<b>231,176</b>

Floating rate bank loans bear rates based on LIBOR. The Group's interest rate swaps are set out in Note 17. The interest rate profile of the Group's fixed rate mortgages was as follows:

	2013 £000	2012 £000
Per cent.		
3.0-3.5	28,984	-
3.5-4.0	34,461	30,729
4.0-4.5	25,663	24,873
4.5-5.0	32,312	31,357
5.0-5.5	6,797	6,789
5.5-6.0	22,454	42,271
6.0-6.5	27,908	27,859
6.5-7.0	12,102	11,829
7.5-8.0	-	2,038
	<b>190,681</b>	<b>177,745</b>

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

	2013 Per cent.	2012 Per cent.	2013 Years	2012 Years
Sterling	6.15	6.15	11.6	12.5
US Dollar	4.57	5.05	5.7	5.3

## 17. Financial Assets and Liabilities

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

	2013		2012	
	<i>Carrying amount</i> £000	<i>Financing income/ (expense)</i> £000	<i>Carrying amount</i> £000	<i>Financing income/ (expense)</i> £000
Current asset investments	236	8	220	(3)
Current assets at fair value	236	8	220	(3)
Derivative financial instruments	(6,470)	(321)	(6,149)	(2,167)
Fixed rate loans and borrowings	(190,681)	(8,658)	(177,745)	(14,127)
Current and non-current liabilities at fair value	(197,151)	(8,979)	(183,894)	(16,294)
Trade and other receivables	43,150	243	69,578	344
Cash and cash equivalents	63,513	497	32,474	168
Current assets at amortised cost	106,663	740	102,052	512
Trade and other payables	(35,374)	(31)	(38,379)	(23)
Floating rate loans and borrowings	(96,518)	(2,445)	(53,281)	(2,203)
Current and non-current liabilities at amortised cost	(131,892)	(2,476)	(91,660)	(2,226)
Total financial instruments	(222,144)	(10,707)	(173,282)	(18,011)

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.

## *Notes to the Consolidated Financial Statements (continued)*

---

### *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, particularly in the current economic conditions. The Group's interest rate swaps are currently significantly 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.

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 2013, gearing was 18.9 per cent. (2012 - 16.9 per cent.) on the basis of gross debt to gross assets. Cash and short-term deposits at 31 March 2013, were £63.5 million (2012 - £32.5 million) and £18.3 million of loans and borrowings were repayable within one year (2012 - £18.1 million). In addition, at the same date, the Group had undrawn committed facilities of £20.0 million (2012 - £64.6 million), which expire in 2017.

The maturity analysis of the undiscounted cash flows arising from the Group's financial liabilities at 31 March 2013 was as follows:

	<i>Carrying amount</i>	<i>Aggregate undiscounted cash flows</i>	<i>Due within one year</i>	<i>Due within 1-2 years</i>	<i>Due within 2-5 years</i>	<i>Due after more than 5 years</i>
	£000	£000	£000	£000	£000	£000
Bank loans	96,518	96,518	1,375	1,375	66,986	26,782
Mortgages	190,681	171,407	13,191	13,887	54,905	89,424
Interest	-	55,848	9,077	8,205	18,478	20,088
Interest rate swaps	6,470	7,222	1,281	1,281	3,843	817
Trade and other payables	35,374	35,374	35,374	-	-	-
	329,043	366,369	60,298	24,748	144,212	137,111

### 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\$/£ 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 16.

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, 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 of £9.8 million.

### Interest rate swaps

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

	<i>Contracted rate</i>		<i>Notional principal</i>		<i>Fair value</i>	
	<i>(excluding margin)</i>					
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>Per cent.</i>	<i>Per cent.</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Maturing in more than five years	5.6	5.6	25,000	25,000	6,470	6,149

### 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

## Notes to the Consolidated Financial Statements *(continued)*

---

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 £10.4 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 16 and cash and short term deposits as set out in Note 13. All loans and borrowings are secured against investment property and the bank loans are drawn against committed facilities.

### **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.

The fair values of fixed rate loans and borrowings and derivative financial instruments recorded in the financial statements, have been determined by discounting the differences between cash flows based on contractual principal and interest amounts and cash flows based on forecast market rates. As such these measurements are classified as Level 2 as defined by IFRS 7 *Financial Instruments: Disclosures*. The amount of the change in the fair value of the Group's fixed rate loans and borrowings, both during the period and cumulatively, which is attributable to changes in the credit risk of the liability is immaterial. This has been determined by assessing the amount of change that is not due to changes in market conditions.

## **18. Related Party Transactions**

---

Day-to-day management of the Group's properties 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.

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 2013, the aggregate net amounts due to the Group from Highdorn Co. Limited and Freshwater Property Management Limited in relation to such agency receipts and payments was £3.8 million (2012 - £5.8 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 by the Group for the provision of property and other management services by Highdorn Co. Limited and Freshwater Property Management Limited, not included above, were as follows:

	<i>2013</i>	<i>2012</i>
	<b>£000</b>	<b>£000</b>
Balance due to related party managing agents at 1 April	<b>674</b>	672
Charged during the year	<b>3,925</b>	3,770
Paid during the year	<b>(3,754)</b>	(3,768)
Balance due to related party managing agents at 31 March	<b>845</b>	674

The Directors' interests in the Company and the principal shareholders are described on pages 14 and 15.

The Board considers that the Directors are the key management personnel of the Group and their remuneration is disclosed on page 16.

### *19. 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.

### *20. 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 (2012 - £Nil).

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

	<i>2013</i>	<i>2012</i>
	<b>£000</b>	<b>£000</b>
Due within one year	<b>67,545</b>	68,478
Due within one to two years	<b>40,801</b>	41,872
Due within two to five years	<b>82,280</b>	82,475
Due after more than five years	<b>218,710</b>	226,277
	<b>409,336</b>	419,102

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.

## Notes to the Consolidated Financial Statements *(continued)*

### 21. Principal 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 property investment companies and are included in the consolidated financial statements.

#### ***Incorporated in Great Britain and registered in England and Wales***

Astral Estates (London) Limited	Daejan (Lauderdale) Limited
Bampton Holdings Limited	Daejan (NUV) Limited
Bampton (B&B) Limited	Daejan Properties Limited
Bampton (Redbridge) Limited	Daejan (Reading) Limited
Brickfield Properties Limited	Daejan Retail Properties Limited
City and Country Properties Limited	Daejan (Taunton) Limited
City and Country Properties (Birmingham) Limited	Daejan Traders Limited*
City and Country Properties (Camberley) Limited	Daejan (UK) Limited*
City and Country Properties (Midlands) Limited	Daejan (US) Limited*
Coinsun Limited	Daejan (Warwick) Limited
Daejan (Brighton) Limited	Daejan (Watford) Limited
Daejan (Cambridge) Limited	Daejan (Worcester) Limited
Daejan (Cardiff) Limited	Hampstead Way Investments Limited
Daejan (Care Homes) Limited*	Inputstock Limited
Daejan Commercial Properties Limited	Inputstripe Limited
Daejan (Dartford) Limited	Lawnstamp Limited
Daejan Developments Limited	Limebridge Co. Limited
Daejan (Durham) Limited	Pegasus Investment Company Limited
Daejan Enterprises Limited	Rosebel Holdings Limited
Daejan Estates Limited	Seaglen Investments Limited
Daejan (FH 1998) Limited	St. Leonards Properties Limited
Daejan (FHNV 1998) Limited	The Bampton Property Group Limited
Daejan (High Wycombe) Limited	The Cromlech Property Co. Limited
Daejan Investments Limited	The Halliard Property Co. Limited
Daejan Investments (Grove Hall) Limited	
Daejan Investments (Harrow) Limited	
Daejan Investments (Park) Limited	
Daejan (Kingston) Limited	

#### ***Incorporated in the USA (see note)***

Daejan Holdings (US) Inc.  
Daejan (NY) Limited  
Daejan Enterprises Inc.

\* Directly owned.

Note: Minority interests arise on investments in a US subsidiary.

## Company Balance Sheet

as at 31 March 2013

	Notes	2013	2012
		£000	£000
<b>Fixed assets</b>			
Investment in subsidiary undertakings	3	1,244,000	1,097,733
<b>Current assets</b>			
Debtors		452	-
Cash at bank		25,789	9,907
		26,241	9,907
Creditors: amounts falling due within one year	4	(221,840)	(193,701)
Net current liabilities		(195,599)	(183,794)
Total assets less current liabilities		1,048,401	913,939
Creditors: amounts falling due after more than one year	5	(63,531)	(51,906)
Net assets		984,870	862,033
<b>Capital and reserves</b>			
Called up share capital	6	4,074	4,074
Share premium account	7	555	555
Other reserves	7	893	893
Profit and loss account	7	979,348	856,511
Equity shareholders' funds	8	984,870	862,033

The financial statements on pages 49 to 52 were approved by the Board of Directors on 17 July 2013 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 profit for the year after taxation is £132,982,000 (2012 - £36,049,000).

#### (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 16 of the Group accounts. The parent company audit fee is disclosed on page 36 of the Group accounts.

### 3. Investments in Subsidiary Undertakings

	<i>Shares at valuation</i>	<i>Loans</i>	<i>Total</i>
	£000	£000	£000
At 1 April 2012	85,390	1,012,343	1,097,733
Loans	-	(699,153)	(699,153)
Additional investments	708,489	-	708,489
Revaluation	134,455	-	134,455
Effect of foreign exchange differences	2,476	-	2,476
At 31 March 2013	930,810	313,190	1,244,000

The historical cost of shares in subsidiary undertakings is £992.0 million (2012 - £283.5 million).

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	1,375	1,525
Other creditors and accruals	211,360	184,149
Taxation	9,105	8,027
	<b>221,840</b>	<b>193,701</b>

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Secured bank loans	63,531	51,906

*6. Share Capital*

	<b>2013</b>	<b>2012</b>
	<b>Number</b>	<b>£000</b>
Allotted, called up and fully paid:		
Ordinary shares of 25 pence per share	16,295,357	4,074

*7. Reserves*

	<b>£000</b>
Share premium account:	
At 1 April 2012 and 31 March 2013	555
Other non-distributable reserves:	
At 1 April 2012 and 31 March 2013	893
Profit and loss account:	
At 1 April 2012	856,511
Foreign exchange movements	2,239
Profit after tax for the year	132,982
Dividend paid in the year	(12,384)
At 31 March 2013	979,348

In the year to 31 March 2009, the Company transferred its shareholdings in certain of its wholly owned subsidiary undertakings to three intermediate holding companies for a consideration of £832.9 million. 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 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.

*Notes to the Company Financial Statements* (continued)

8. *Reconciliation of Movements in Shareholders' Funds*

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Profit after tax for the year	<b>132,982</b>	36,049
Foreign exchange movements	<b>2,239</b>	106
Dividend paid in the year	<b>(12,384)</b>	(12,222)
Net movement in shareholders' funds	<b>122,837</b>	23,933
Shareholders' funds at 1 April	<b>862,033</b>	838,100
Shareholders' funds at 31 March	<b>984,870</b>	862,033

*Five-Year Record*

	2009	2010	2011	2012	2013
	£000	£000	£000	£000	£000
Total rental and related income	95,973	99,913	102,692	107,094	<b>111,037</b>
Property operating expenses	(53,470)	(55,983)	(60,743)	(68,036)	<b>(67,017)</b>
Net rental and related income	42,503	43,930	41,949	39,058	<b>44,020</b>
Profit on disposal of investment properties	6,758	5,073	9,257	16,254	<b>6,612</b>
Net valuation (losses)/gains on investment properties	(261,603)	24,997	52,024	15,683	<b>82,694</b>
Administrative expenses	(12,039)	(10,013)	(10,558)	(11,135)	<b>(10,936)</b>
Net operating (loss)/profit before financing costs	(224,381)	63,987	92,672	59,860	<b>122,390</b>
Net financing costs	(23,656)	(2,858)	(8,309)	(18,011)	<b>(10,707)</b>
(Loss)/Profit before taxation	(248,037)	61,129	84,363	41,849	<b>111,683</b>
Income tax credit/(expense)	69,341	(15,474)	(16,530)	(8,819)	<b>(21,923)</b>
(Loss)/Profit for the year	(178,696)	45,655	67,833	33,030	<b>89,760</b>
(Loss)/Earnings per share	£(10.97)	£2.80	£4.16	£2.02	<b>£5.50</b>
Total assets	1,196,660	1,229,715	1,345,941	1,364,905	<b>1,523,184</b>
Equity shareholders' funds	759,293	784,976	838,100	903,806	<b>984,870</b>
Equity shareholders' funds per share	£46.60	£48.17	£51.43	£55.46	<b>£60.44</b>

Amounts shown in the above table for the years ended 31 March 2009, 2010 and 2011 have not been restated to reflect the change in accounting policy set out in Note 1(b) to the consolidated financial statements.

## *Directors and Advisers*

---

### ***Directors***

B S E Freshwater  
(Chairman and Managing Director)  
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 Audit Plc,  
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***

Nplus1 Brewin LLP  
7 Drumsheugh Gardens,  
Edinburgh EH3 7QH

## Notice of Meeting

---

Notice is hereby given that the Seventy Eighth Annual General Meeting of Daejan Holdings PLC will be held at The Methven Room, CBI, 1st Floor, Centre Point, New Oxford Street, London WC1, on 28 August 2013 at 2.00 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 2013 together with the Reports of the Directors and the Auditors. (Resolution 1)
2. To approve the Remuneration Report for the year ended 31 March 2013. (Resolution 2)
3. To declare a final dividend. (Resolution 3)
4. To re-elect B S E Freshwater as a Director. (Resolution 4)
5. To re-elect S I Freshwater as a Director. (Resolution 5)
6. To re-elect D Davis as a Director. (Resolution 6)
7. To re-elect R E Freshwater as a Director. (Resolution 7)
8. To re-elect A M Freshwater as a Director. (Resolution 8)
9. To appoint KPMG LLP as Auditor, and to authorise the Directors to agree its remuneration. (Resolution 9)

By Order of the Board,

*M R M Jenner*  
Secretary

17 July 2013

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 26 August 2013, 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.

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 26 August 2013 (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](http://www.euroclear.com/CREST). 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](http://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.



**Mixed Sources**  
Product group from well-managed  
forests and other controlled sources  
www.fsc.org Cert no. SA-COC-001662  
© 1996 Forest Stewardship Council

