



# Daejan Holdings PLC

*Report & Financial Statements 2009*



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## *Summary of Results*

	<i>Year ended 31 March</i>	
	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
(Loss)/Profit before Taxation	<b>(248,037)</b>	47,067
(Loss)/Profit after Taxation	<b>(178,696)</b>	54,107
(Loss)/Earnings per Share	<b>£(10.97)</b>	£3.32
Dividends per Share	<b>73.0p</b>	73.0p
Equity Shareholders' Funds per Share	<b>£46.60</b>	£55.40

Final Dividend of 48p per share payable on 6 November 2009 to shareholders on the register on 9 October 2009.

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## Chairman's Statement



I have pleasure in presenting the Report and Accounts for the year ended 31 March 2009.

This year, which represents the 50th anniversary of Daejan's flotation as a publicly quoted property company, has been a period of unprecedented economic upheaval. As foreseen in my last annual statement, the negative sentiment which was then gathering momentum in property markets in both the UK and the USA has had a major impact on the Group.

### Investment Properties

The table below shows a summary of our annual property revaluation by property type:

	Valuation March 2009	Percentage Change
Commercial Property		
UK	£507.3m	-23.1%
USA	£46.6m	+22.6%
Residential Property		
UK	£384.3m	-8.5%
USA	£188.5m	+33.3%
Total	£1,126.7m	-10.5%

**Above:**  
Architectural detail  
of Queens Mansions  
Muswell Hill  
London N10

**Right:**  
New entrances at  
Cadogan Square  
Glasgow



The independent professional revaluations of our portfolios in both the UK and the USA have produced a material overall reduction in value, although this has been offset as regards the USA figures shown above by the impact of the 28% decline in the sterling/dollar exchange rate between 31 March 2008 and 2009.



The table below provides an analysis of the movement in the value of the investment property portfolio and shows both the revaluation loss and the foreign exchange gain which have arisen over the year:

#### Movement in Valuation of Investment Properties

	£m
Valuation as at 31 March 2008	1,258.8
New acquisitions	44.5
Additions to existing properties	15.5
Disposals & reclassifications	(0.7)
	1,318.1
Revaluation loss	(261.6)
Foreign exchange gain	70.2
Valuation as at 31 March 2009	1,126.7

*Above & below:  
Glenloch Court  
London NW3*



## Chairman's Statement *(continued)*

A loss of £232.5 million arose on UK properties which represents a reduction of 21% on a like for like basis; this is in line with the fall in market indices in the period.

In the USA our properties experienced a reduction in valuation of \$42.8 million which is equivalent to 11%.

A depressed market can provide opportunities to enhance our portfolio and during the year arrangements were successfully concluded with Southern Cross Healthcare Group Plc for the freehold purchase and leaseback of nine care homes in the UK. The total cost of acquisition was £33.1 million and the leases will produce rental income of £2.5 million pa subject to review.

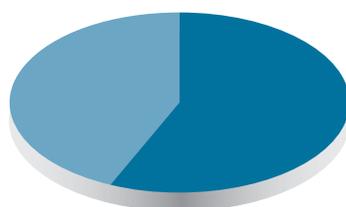
Following on from our successful acquisition in 2004 of a multi-apartment complex in Fort Lauderdale, Florida, this year our main purchase in the USA was a similar complex in Tampa, Florida at a cost of \$14.8 million.

More detailed analyses of our portfolio by property type and location are set out below:

### Analysis by Property Type

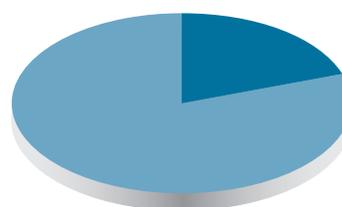
#### Property UK

Commercial £507.3m Residential £384.3m



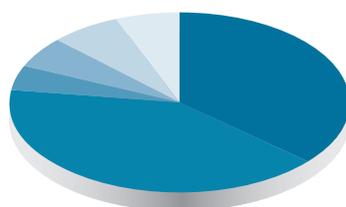
#### Property USA

Commercial £46.6m Residential £188.5m



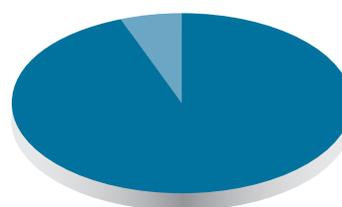
#### Commercial Property UK

Offices £184.9m Retail £207.9m  
Leisure £22.9m Land & Development £27.5m  
Industrial £34.1m Residential Homes £30.0m



#### Commercial Property USA

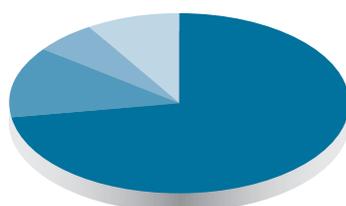
Offices £44.0m Retail £2.6m



### Analysis by Location

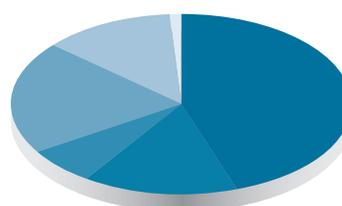
#### UK Valuations

London & the South £647.7m  
Midlands & East Anglia £112.8m  
Wales & West £52.7m  
North & Scotland £78.4m



#### USA Valuations

New York £105.2m Florida £47.8m  
Boston £35.0m New Jersey £28.8m  
Baltimore £15.7m Pennsylvania £2.6m





**Left:**  
*Conduit House  
Greenwich  
London SE10*

**Below:**  
*Clissold Court,  
London N4*

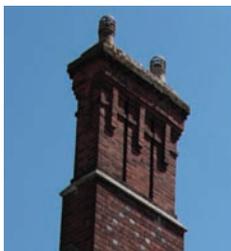


**Left:**  
*Queens Mansions,  
Muswell Hill,  
London N10*



**Far left:**  
*Great Marlborough  
Street, London W1*

## Chairman's Statement *(continued)*



### Development Activity

The development project at 25/29 Worship Street, EC2 has been completed and marketing is underway. The work at 49/50 Great Marlborough Street, W1 is close to completion and a marketing launch is scheduled for early autumn.

The refurbishment of 164, Shaftesbury Avenue, WC2 was completed in March 2008 and the property has been substantially let.

*The pictures on these pages are some of the 'Southern Cross Healthcare' care homes we have recently added to our portfolio*

**Above and right:**  
*Henwick Grange  
Nursing Home  
Worcester*

**Below:**  
*Redworth Day  
Centre, Shildon,  
County Durham*

As I reported last year, planning consent has been obtained for a major scheme of refurbishment and extension at Africa House, WC2. The scheme will create an additional 20,000 square feet of lettable space giving a total of 127,000 square feet in a landmark listed building at a total cost of some £40 million. Design and procurement work is well advanced so that a final decision to proceed can be taken once we have satisfied ourselves on the likely tenant demand in 2012 when the building could be available for letting.

In the meantime we are continuing to explore a number of alternative approaches to funding the project. Unfortunately at present banks are seeking to re-build their balance sheets



following the credit crunch and are offering loan terms that we find unpalatable. It is to be hoped that before too long, the steps already taken by Government together with additional initiatives that are necessary to stimulate bank lending will result in a greater availability of funding on acceptable terms.

### Results for the Year

The Loss before Taxation for the year ended 31 March 2009 amounts to £248 million (2008 - £47 million profit) and this is attributable to the net valuation loss of £261.6 million arising on investment properties (2008 - £20.7 million gain).

**Left:**  
*Donwell House,  
Washington,  
Tyne & Wear*



**Above left:**  
*De Bailol Nursing  
Home, Newbiggin by  
the Sea,  
Northumberland*

**Above:**  
*Crossgate Care  
Centre, Kilmarnock,  
East Ayrshire*

**Left:**  
*Allan Court Care  
Home, Benwell,  
Newcastle upon Tyne*

## Chairman's Statement *(continued)*



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

	2009 £m	2008 £m
Total rental and related income from Investment Properties	96.0	87.0
Property operating expenses	(53.5)	(46.5)
Net rental and related income from investment properties	42.5	40.5
Profit on disposals of investment properties	6.7	6.5
Administrative expenses	(12.0)	(8.6)
<b>Net operating profit before net valuation (Losses)/Gains</b>	<b>37.2</b>	<b>38.4</b>
Net valuation (Losses)/Gains on investment properties	(261.6)	20.7
Net financing costs	(23.6)	(12.0)
<b>(Loss)/Profit before tax</b>	<b>(248.0)</b>	<b>47.1</b>

The increase in gross rental income in the year is largely attributable to the US dollar exchange movement and the impact of our new acquisitions; our like for like rental income has remained broadly constant.

Re-lettings in the UK have continued at our normal annual rate representing approximately 1,000 individual rental negotiations. Whilst some downward pressure on rental levels has been experienced, taking the portfolio as a whole, this has been offset by rental increases.



*Above:*  
Devonsbire Court, London W1



*Right:*  
Worship Street, London EC2

*Top:*  
Detail of Worship Street, London EC2

As might be expected in the current economic conditions, our level of voids has edged upwards.

Exchange rate movements also largely account for the increase in property operating expenses; administrative expenses in the year have been increased by non-recurring costs related to the settlement of a long running tenant dispute and the corporate restructuring referred to below.

Unlike some property companies, we have no need to sell properties into a falling market and the profit on disposals in the year of £6.7 million (2008 - £6.5 million) is largely the result of the sale of residential lease extensions.

### **Dividend**

In setting the dividend each year your Board focuses in particular on the sustainable profit and cash generated by the Group's rental operations. Notwithstanding the significant revaluation loss reflected in this year's Consolidated Income Statement, the strength of the underlying core business gives us the confidence to recommend an unchanged total dividend for the year of 73p.

### **Balance Sheet**

Our balance sheet continues to exhibit the strength which has been a feature of the Group for many years. At 31 March 2009 shareholders funds amounted to £759.3 million (2008 - £902.8 million). This is equivalent to £46.60 per share (2008 - £55.40). Gearing remains low at 15.6% (2008 - 8.7%) and in addition to our cash deposits of £24.7 million (2008 - £30 million) we retain undrawn medium term facilities of £34 million (2008 - £65 million).

### **Corporate Social Responsibility**

Companies are now required to set out their approach to Corporate Social Responsibility and I comment below on our approach in the areas of Employees, Environment and Community.

#### **Employees**

Daejan operates an equal opportunities policy to ensure that all job applicants are treated fairly. The Group encourages and supports employees in the pursuit of programmes of appropriate professional training. The Group is committed to providing a safe and healthy working environment for all staff; first aid training is provided to employees at all Group offices.

The Group benefits from very low staff turnover with average employee service as set out below:

	Average Service Years
Senior Executives	16
Managers	23
Surveyors, clerical & other staff	10

#### **Environment**

As a property investment company with only limited development activity Daejan has a relatively low overall climate change impact. Nevertheless we recognise our responsibility to reduce any impacts that may arise from our business activities and we try wherever possible to improve the environment. In practical terms, our continuing programme of repair work provides opportunities for us to improve the energy efficiency of our buildings and the plant therein. When undertaking development or major schemes of refurbishment on our properties we seek to achieve the highest BREEAM rating consistent with the nature of the building and the scheme being undertaken (BREEAM is a widely used environmental assessment method for buildings).

## Chairman's Statement *(continued)*

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### **Community**

It has long been our philosophy that business should play its part in supporting community activities and for many years the company has made an annual charitable donation of £120,000.

However, with so many possible good causes in need of support, I believe that the choice should principally be made by individual donors rather than by the Company on behalf of all shareholders. With that in mind, some years ago, the Freshwater family donated shares in Daejan equivalent to 6.3% of the issued capital to charitable companies. These companies in turn use the income which they derive from Daejan dividend payments for charitable activity and to benefit the communities in which we operate.

### **Corporate Restructuring**

During the course of the year we took the opportunity to rationalise our internal corporate structure and all subsidiaries have now been grouped together under appropriate intermediate holding companies covering Investment, Trading and the USA. The restructuring has generated a substantial book profit in the accounts of the holding company (see page 51) but has no impact on the consolidated accounts of the Group.

### **Articles of Association**

At last year's AGM the Company adopted new articles of association in order to incorporate the relevant provisions of the Companies Act 2006 which came into effect in 2007 and 2008. This year further amendments are required to reflect changes which come into effect on 1 October 2009; details are set out in the circular enclosed with these accounts.

### **Outlook and Risks**

It seems likely that the decline in residential property values may have bottomed out; at least for the time being. The position is less clear in regard to commercial property. The reduction in values to date has largely reflected financial pressures on investors and individuals arising from the credit crunch and the dearth of available funding. In the immediate future the weakness of the economy may continue to exert downward pressure on rental values; a further, but less dramatic, decline in commercial property values seems likely.

Expert opinion is divided as to the possible depth and duration of the present recession with even the most optimistic economists forecasting that contraction in 2009 will be followed in 2010 by a year of only insipid growth. Ultimately we rely on that growth to stimulate the fundamental demand for commercial property. Our future results will overwhelmingly be determined by market movements in property values.

In times of recession we are exposed to the risk of bad debts through the loss of tenants and delays in reletting.

As has been evidenced this year, given that we hold a significant portfolio of property in the USA we are exposed to movements in the sterling/dollar rate of exchange. This year the movements have been positive; they may not always be so.

**Top and far right:**  
*Talgarth Mansions,*  
*London W4*

Our ability to take advantage of new purchase opportunities and to undertake new development projects may be constrained if banks and other financial institutions do not show a greater willingness to make available term lending at a reasonable cost.

### 50th Anniversary

In past annual statements I have often emphasized the importance of taking the long view and pursuing a prudent course. Such an approach is more relevant than ever in this the 50th anniversary of Daejan's flotation in 1959 as a listed property company. At the time of flotation, Daejan owned properties valued at £4 million with equity shareholders funds per share of 29p. Even in a year of depressed property values in both the UK and USA the equivalent figure at 31 March 2009 stood at £46.60 per share, a 160 fold increase over the 50 year period.

We are proud of our history from which we derive our business philosophy and our balance sheet strength but our focus is firmly on the future. We will strive to build long term net asset value so that the steady growth which has characterised our first 50 years continues as the hallmark of our next half century.

As ever, our thanks must go to the loyal and hardworking members of staff for their help in meeting the challenges of the last year.

B.S.E. Freshwater  
*Chairman*



## Directors' Report

The Directors have pleasure in presenting their Report together with the Financial Statements for the year to 31 March 2009.

### Principal Activities of the Group

Daejan Holdings PLC is a holding company whose principal activity, carried on through its subsidiary undertakings, is property investment, with some development also being undertaken. The major part of the Group's property portfolio comprises commercial, industrial and residential premises throughout the United Kingdom. Some subsidiary undertakings are incorporated in the United States of America and carry out property investment in that country.

### Properties

A professional valuation of all the Group's properties was carried out at 31 March 2009. The resultant figures are included in the Financial Statements now presented and the decrease of £261.6 million (2008 - £20.7 million increase) over previous book values has been included in the Income Statement. The Group's UK properties were valued by Colliers CRE, Chartered Surveyors and produced a revaluation deficit of £232.5 million (2008 - £13.2 million surplus).

The Group's USA properties were valued by Colliers, Meredith & Grew, Joseph J. Blake and Associates Inc. and Metropolitan Valuation Services Inc. All the USA firms are General Certified appraisers. The revaluation deficit arising on the USA properties was \$42.8 million (2008 - \$14.8 million surplus).

### Business Review

The Group's Business Review and future developments are included in the Chairman's Statement set out on pages 2 to 11 which are included in this report by reference.

### Results & Dividend

The loss for the financial year amounted to £178.7 million (2008 - £54.1 million profit). An Interim Dividend of 25p per share was paid on 6 March 2009 and the Directors now recommend the payment of a Final Dividend of 48p per share, making a total for the year of 73p per share, the same total dividend as in the previous year.

An analysis of the Group's property income and profit before taxation for the year is as follows:

	<i>Property Income</i>		<i>Profit</i>	
	UK	USA	UK	USA
	£000	£000	£000	£000
Gross Rental and Service Charges	71,213	24,760	34,594	7,909
Sales of Investment Properties	7,583	126	6,632	126
Net Valuation Losses	(232,526)	(29,077)	(232,526)	(29,077)
	(153,730)	(4,191)	(191,300)	(21,042)
Financing Charges (net)			(6,422)	(17,234)
Administrative and Other Expenses			(11,536)	(503)
			(209,258)	(38,779)
			(38,779)	
Loss before Taxation			(248,037)	

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

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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 financial derivative instruments whilst retaining some ability to take advantage of falling interest rates.

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

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### *Payment Policy*

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It has long been the Group's policy to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that those suppliers are aware of those terms and to abide by the agreed terms of payment. The Group does not, however, follow any formal code or statement on payment practice. The Group and the Company do not have material trade creditor balances.

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### *Directors*

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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

Brief biographies of the Directors are as follows:

Mr B S E Freshwater. Aged 61 - 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 74 - A Chartered Accountant and member of the Institute of Taxation, was 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 58 - 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.

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### *Directors' Interests*

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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 and are also interested 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.

Details of the amounts paid for the provision of these services are set out in note 19 to the financial statements.

*Directors' Report* (continued)*Substantial Interests & Interests of Directors*

Daejan Holdings PLC		31 March	31 March
Ordinary Shares		2009	2008
D Davis	(notes 2 & 3)	763	763
B S E Freshwater	(notes 1, 2, 3 & 4)	590,033	590,033
S I Freshwater	(notes 2, 3 & 4)	89,270	89,270

## Notes:

- All the above holdings were beneficially owned. Mr B S E Freshwater's shareholding represents 3.6% of the Issued Share Capital of the Company.
- A further 3,363,116 shares (2008 - 3,363,116) representing 20.6% 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 and Mr D Davis have no beneficial interest.
- In addition to the holding shown in the table and in note 2 above, companies owned and controlled by Mr B S E Freshwater, Mr S I Freshwater and by their families, and family trusts, held at 31 March 2009 a total of 7,876,431 shares (2008 - 7,876,431) representing 48.3% of the Issued Share Capital of the Company. Mr D Davis has a non-beneficial interest in some of these shares as a Director of the companies concerned, or as a trustee.
- Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.
- There have been no changes in any of the above interests since 31 March 2009 up to the date of signing this report.

Included in notes 2 and 3 are the following holdings, 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 B S E Freshwater Settlement	705,000	4.3
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

In addition to the above Valand Investments Limited hold 1,000,000 Ordinary Shares representing 6.1% of the issued share capital.

*Capital Gains Tax*

For the purpose of computing Capital Gains Tax the market value of the Company's Shares was 185p on 31 March 1982.

*Significant Agreements*

Chapter 4 of Part 28 of the Companies Act 2006 requires the Company to identify those significant arrangements 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.

Certain of the Group's banking facilities include provisions which require the Company to notify its bankers in the event of a change in control and ensure certain conditions are met.

*Charitable Donations*

Charitable Donations made by the Group amounted to £120,000 (2008 - £120,000). There were no political contributions (2008 - £Nil).

### *Auditors*

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The Company's auditors, KPMG Audit Plc, have expressed their willingness to continue in office. In accordance with Section 489 of the Companies Act 2006, resolutions for the reappointment of KPMG Audit Plc as auditors of the Company, and to authorise the Directors to determine their remuneration, are to be proposed at the forthcoming Annual General Meeting.

### *Statement of Disclosure of Information to Auditors*

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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 auditors are 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 auditors are aware of that information.

By Order of the Board,  
M R M Jenner  
Secretary  
23 July 2009

## Directors' Remuneration Report

### Audited Information

#### Remuneration

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

	<b>Salary</b>	<b>Fees</b>	<b>Total</b>
	£	£	£
<b>2009</b>			
Mr B S E Freshwater	680,000	20,000	700,000
Mr D Davis	-	20,000	20,000
Mr S I Freshwater	625,000	20,000	645,000
	1,305,000	60,000	1,365,000
<b>2008</b>			
Mr B S E Freshwater	650,000	20,000	670,000
Mr D Davis	-	20,000	20,000
Mr S I Freshwater	581,000	20,000	601,000
	1,231,000	60,000	1,291,000

### Unaudited Information

#### Compliance

The Board considers that the Company has complied throughout the year with the requirements of the Combined Code in relation to Directors' remuneration with the exception of the provision relating to the formation and constitution of a remuneration committee (see page 18). In determining remuneration policy, the Board has given full consideration to the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority.

#### 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.

#### Remuneration of Non Executive Directors

The fee of the non-executive Director is 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.

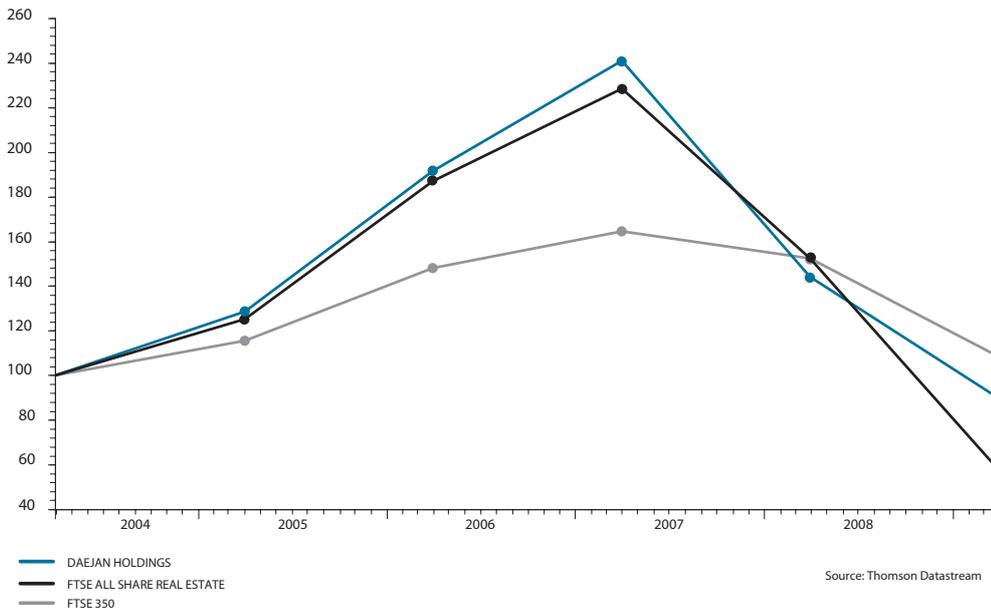
**Total Shareholder Return**

The following graph shows the total shareholder returns for the Company for each of the last five financial years compared to the FTSE All-Share Real Estate Index. The Company is a constituent of the FTSE All-Share Real Estate Index and the FTSE 350 index, and the Board considers these to be the most appropriate broad market equity indices for illustrating the Company's performance.

**Daejan Holdings Total Shareholder Return Index versus FTSE Real Estate Sector Total Return Index and the FTSE 350 Total Return Index**

for the five financial years ended 31 March 2009 (rebased as at 1 April 2004)

**TSR Performance Graph**



Approved by the Board on 23 July 2009 and signed on its behalf by

M R M Jenner  
Company Secretary

## Corporate Governance

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### *Corporate Governance*

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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 revised Combined Code issued by the Financial Reporting Council in July 2003.

Your Board fully supports the goal of better Corporate Governance and we comply with the majority of the provisions of the revised Code.

We do not comply with the provisions of the revised Code in connection with non-executive representation on the Board, as we are doubtful that further extending non-executive participation at present would benefit our shareholders. We consider it vital that the 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 three 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*

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The Group is controlled through its Board of Directors. The Board's main roles are to create value to 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 them to meet those objectives.

The Board meets regularly throughout the year on both a formal and informal basis. Comprehensive management information covering all aspects of the Company'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. All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with. 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 consult on a regular basis with the Group's external auditors and are charged with ensuring that their 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 by rotation and submit themselves to shareholders at Annual General Meetings at regular intervals and at least every three years. The Board acknowledge that in view of his length of service the non-executive Director is not technically independent.

During the year there were five formal Board Meetings and attendance was:  
B S E Freshwater (5), S I Freshwater (5), D Davis (3).

### *Directors and Directors' Independence*

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The Board currently comprises the Chairman, one non-executive Director and one executive Director. The names of the Directors together with their biographical details are set out on page 13. All the Directors served throughout the period under review.

### *Directors' Remuneration*

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

### *Internal Controls*

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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 revised Combined Code introduced a requirement that the Directors review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including: financial, operational, compliance, 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, that this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. 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 have concluded that this is not currently necessary having regard for 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 across the world. 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 their 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. Annual budgets are prepared and performance against plan is actively monitored at the 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.

## Corporate Governance *(continued)*

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*Control procedures:* The Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures include physical controls, segregation of duties, reviews by management and external audit 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 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*

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The Board values communication with private and institutional shareholders and with analysts. The Annual General Meeting is used as an opportunity to meet private shareholders. Other opportunities are taken 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 revised Code, notice of the Annual General Meeting and the Report and Financial Statements will be sent to shareholders at least twenty working days before the meeting.

### *Financial Reporting*

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The Board are responsible for the preparation of the Report and Financial Statements within which they seek to present a balanced and understandable assessment of the Company's business. Further details are given in the Chairman's Statement.

### *Compliance Statement*

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The Board consider the Company has complied throughout the year ended 31 March 2009 with the provisions of the revised Code with the exception of the following paragraphs:

Paragraph	Subject
A.2.1-2	split of Chairman and CEO roles
A.3.1-3	strong independent non-executive element
A.4.1-3, A.4.6	appointment of nomination committee and their proceedings
A.6	performance evaluation of the Board
A.7.2	length of service of non-executive directors
B.1.1	performance related remuneration for executive directors
B.2.1-2	appointment of remuneration committee and their proceedings
C.3.1-6	appointment of audit committee and their proceedings

### *Going Concern*

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After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## *Directors' Responsibilities*

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### *Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements*

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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 IFRSs as adopted by the EU 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).

The group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the group. The Companies Act 1985 provides in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view, are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

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 IFRSs as adopted by the EU;
- 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 proper accounting records that 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 1985. 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.

## *Directors' Responsibilities* (continued)

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### *Responsibility statement of the Directors*

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We confirm that to the best of our knowledge the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the Chairman's statement which includes the Property and Financial Review includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the financial risks and uncertainties that they face.

By order of the Board,

B S E Freshwater  
Director

23 July 2009

## *Independent Auditors' Report*

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

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We have audited the group and parent company financial statements (the "financial statements") of Daejan Holdings Plc for the year ended 31 March 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors*

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The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 21.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that information presented in the Chairman's Statement that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

## *Independent Auditors' Report* (continued)

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We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### *Basis of audit opinion*

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We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

### *Opinion*

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In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2009;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*  
Chartered Accountants  
Registered Auditor  
London

23 July 2009

*Consolidated Income Statement*

<i>for the year ended 31 March 2009</i>	<i>Notes</i>	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Gross Rental Income		<b>83,918</b>	73,590
Service Charge Income		<b>12,055</b>	13,362
<hr/>			
<b>Total Rental and Related Income from Investment Properties</b>		<b>95,973</b>	86,952
Property Operating Expenses	3	<b>(53,470)</b>	(46,464)
<hr/>			
<b>Net Rental and Related Income from Investment Properties</b>		<b>42,503</b>	40,488
<b>Profit on Disposal of Investment Properties</b>		<b>6,758</b>	6,578
Valuation Gains on Investment Properties		<b>6,646</b>	46,646
Valuation Losses on Investment Properties		<b>(268,249)</b>	(25,982)
<hr/>			
<b>Net Valuation (Losses)/Gains on Investment Properties</b>	8	<b>(261,603)</b>	20,664
<hr/>			
<b>Administrative Expenses</b>	4	<b>(12,039)</b>	(8,629)
<hr/>			
<b>Net Operating (Loss)/Profit before Net Financing Costs</b>		<b>(224,381)</b>	59,101
<hr/>			
Fair Value Losses on Financial Instruments		<b>(15,378)</b>	(6,491)
Fair Value Losses on Current Investments		<b>(25)</b>	(5)
Other Financial Income		<b>2,980</b>	2,287
Financial Expenses		<b>(11,233)</b>	(7,825)
<hr/>			
<b>Net Financing Costs</b>	5	<b>(23,656)</b>	(12,034)
<hr/>			
<b>(Loss)/Profit Before Taxation</b>		<b>(248,037)</b>	47,067
<b>Income Tax Credit</b>	6	<b>69,341</b>	7,040
<hr/>			
<b>(Loss)/Profit for the Year</b>		<b>(178,696)</b>	54,107
<hr/>			
<b>Attributable to:</b>			
Equity Holders of the Parent		<b>(178,690)</b>	54,064
Minority Interest		<b>(6)</b>	43
<hr/>			
<b>(Loss)/Profit for the Year</b>		<b>(178,696)</b>	54,107
<hr/>			
<b>Basic and Diluted (Loss)/Earnings per Share</b>	7	<b>(£10.97)</b>	£3.32

The notes on pages 29 to 47 form part of these Financial Statements.

## Consolidated Statement of Recognised Income and Expense

<i>for the year ended 31 March 2009</i>	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Foreign Exchange translation differences	47,125	(1,606)
Income & Expense Recognised Directly in Equity (Loss)/Profit for the Year	47,125 (178,696)	(1,606) 54,107
Total Recognised Income & Expense for the Year	<b>(131,571)</b>	52,501
Attributable to:		
Equity Holders of the Parent	<b>(131,588)</b>	52,458
Minority Interest	17	43
Total Recognised Income & Expense for the Year	<b>(131,571)</b>	52,501

The notes on pages 29 to 47 form part of these Financial Statements.

*Consolidated Balance Sheet*

<i>as at 31 March 2009</i>	<i>Notes</i>	<b>31 March 2009 £000</b>	31 March 2008 £000
<b>Assets</b>			
Investment Properties	8	1,126,694	1,258,940
Deferred Tax Assets	9	7,842	8,148
<b>Total Non-Current Assets</b>		<b>1,134,536</b>	1,267,088
Trade and Other Receivables	10	35,479	29,701
Investments	11	198	213
Cash at Bank	12	26,447	31,295
<b>Total Current Assets</b>		<b>62,124</b>	61,209
<b>Total Assets</b>		<b>1,196,660</b>	1,328,297
<b>Equity</b>			
Issued Capital	13	4,074	4,074
Share Premium	13	555	555
Retained Earnings	13	754,664	898,149
<b>Total Equity Attributable to Equity Holders of the Parent</b>		<b>759,293</b>	902,778
Minority Interest		135	118
<b>Total Equity</b>		<b>759,428</b>	902,896
<b>Liabilities</b>			
Interest Bearing Loans and Borrowings	15	179,440	114,378
Deferred Tax Liabilities	9	184,034	261,994
<b>Total Non-Current Liabilities</b>		<b>363,474</b>	376,372
Bank Overdrafts	12	273	358
Interest Bearing Loans and Borrowings	15	6,325	1,117
Trade and Other Payables	14	60,648	41,955
Taxation		6,512	5,599
<b>Total Current Liabilities</b>		<b>73,758</b>	49,029
<b>Total Liabilities</b>		<b>437,232</b>	425,401
<b>Total Equity and Liabilities</b>		<b>1,196,660</b>	1,328,297

The Financial Statements on pages 25 to 47 were approved by the Board of Directors on 23 July 2009 and were signed on its behalf by:

B.S.E. Freshwater	Director
D. Davis	Director

The notes on pages 29 to 47 form part of these Financial Statements.

## Consolidated Statement of Cash Flows

<i>for the year ended 31 March 2009</i>	<b>Year ended 31 March 2009</b>	<b>Year ended 31 March 2008</b>
	<b>£000</b>	<b>£000</b>
<b>Cash Flows From Operating Activities</b>		
<b>Activities</b>		
Cash Receipts - Rent and Charges	<b>103,118</b>	91,498
Cash Paid to Suppliers and Employees	<b>(73,857)</b>	(59,472)
Cash Generated from Operations	<b>29,261</b>	32,026
Interest Received	<b>2,977</b>	2,279
Interest Paid	<b>(11,401)</b>	(7,661)
Drawings by US Minority Interest	<b>-</b>	(60)
UK Corporation Tax Paid	<b>(6,706)</b>	(17,506)
Overseas Tax Paid	<b>(693)</b>	(466)
Net Cash from Operating Activities (Note 17)	<b>13,438</b>	8,612
<b>Cash Flows from Investing Activities</b>		
Acquisition of Investment Properties	<b>(60,011)</b>	(7,761)
Proceeds from Sale of Investment Properties	<b>7,629</b>	8,403
Net cash from Investing Activities	<b>(52,382)</b>	642
<b>Cash Flows from Financing Activities</b>		
<b>Activities</b>		
Repayment of Secured Loans	<b>(1,094)</b>	(2,000)
New Secured Loans	<b>30,250</b>	-
Repayment of Mortgage Advances	<b>(6,118)</b>	(87)
New Mortgage Advances	<b>17,929</b>	3,429
Dividends Paid	<b>(11,897)</b>	(11,407)
Net Cash from Financing Activities	<b>29,070</b>	(10,065)
Net Decrease in Cash and Cash Equivalents	<b>(9,874)</b>	(811)
Cash and Cash Equivalents Brought Forward	<b>30,937</b>	31,896
Effect of Exchange Rate Fluctuations on Cash Held	<b>5,111</b>	(148)
<b>Cash and Cash Equivalents (Note 12)</b>	<b>26,174</b>	30,937

The notes on pages 29 to 47 form part of these Financial Statements.

## Notes to the Consolidated Financial Statements

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### 1. Significant accounting policies

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Daejan Holdings PLC is a company domiciled in the United Kingdom. The Consolidated Financial Statements of the Company for the year ended 31 March 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The consolidated financial statements were authorised for issuance on 23 July 2009.

#### (a) Statement of compliance

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The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The Company has elected to prepare its parent Company Financial Statements in accordance with UK GAAP and these are presented on pages 48 to 51.

#### (b) Basis of preparation

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The financial statements are presented in sterling, 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: derivative financial instruments, investment properties, other non-current investments and current asset investments.

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. Standards which have been issued and adopted in the year have had no material impact on the financial statements.

The financial statements disclose a loss for the year in the income statement of £178.7 million, which is principally caused by the valuation losses on the group's investment properties. This is reflective of the recent difficulties in UK and US property markets. Despite this result, the directors consider that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The level of net gearing at 31 March 2009 was only 16 per cent., which is very low for the property sector, and only £6.3 million of the group's borrowings are due for repayment within the next 12 months. As demonstrated by the group's cash flow statement, the group generated positive net cash from operating activities of £13.4 million (2008: £8.6 million) and the directors fully expect this position to continue. On this basis, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The Directors are aware of the following standards in issue but not effective at the balance sheet date:

- IFRS 8 "Operating Segments", effective for accounting periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, "Segmental Reporting" and requires that segment information is presented on the same basis as that used for internal management reporting. The directors are assessing the expected impact in detail but it appears unlikely that this will have a significant impact on the Group's disclosures.
- IAS 1 (amendment), "Presentation of Financial Statements", effective for accounting periods beginning on or after 1 January 2009. The Board will prepare accounts under the revised disclosure requirements of this standard for the period commencing 1 April 2009.

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

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Other standards are in issue, however these are not expected to have a material impact on the results of the Group.

These Consolidated Financial Statements have been prepared on the basis of IFRSs in issue that are effective at the Group's annual reporting date.

The accounting policies have been applied consistently throughout the Group for purposes of these Consolidated Financial Statements.

### **(c) Subsidiaries**

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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) Associates**

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Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

### **(e) Transactions eliminated on consolidation**

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

### **(f) Income available for distribution**

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

### **(g) Foreign currency translation**

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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 difference arising on retranslation are recognised directly in a separate component of equity.

### **(h) Derivative financial instruments**

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The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational and financing activities. As the derivatives do not qualify for hedge accounting, they are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated 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.

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**(i) Investment property**

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IFRS defines Investment Properties as those which are held either to earn rental income or for capital appreciation or both. Investment Properties are stated 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 Group's investment properties were valued as set out in note 8 on page 37.

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 to arrive at the property valuation, 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 remains an investment property, which is measured based on the fair value model.

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.

When the Group uses only 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.

Acquisition and disposals are recognised on the date of completion. It is Group policy to sell, as individual units, flats in residential blocks which have been held as investment but which are now considered uneconomic to retain. Occasionally there are sales of residential and commercial investment blocks. The resulting surplus based on the excess sale proceeds over valuation is included in the Income Statement and taxation applicable thereto is shown as part of the taxation charge.

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**(j) Other non-current investments**

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Other non-current investments are classified as available for sale investments and are stated at fair value with any resultant gain or loss recognised through reserves.

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**(k) Investments**

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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.

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**(l) Trade and other receivables**

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Trade and other receivables are initially stated at fair value and subsequently carried at cost less impairment losses. These assets are not discounted as it is deemed immaterial.

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

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### (m) Cash and cash equivalents

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Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short term, 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.

### (n) Dividends

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

### (o) Trade and other payables

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Trade and other payables are stated at their amortised cost.

### (p) Net rental income

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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 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.

### (q) Dividend income

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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.

### (r) Taxation

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Corporation tax on the profit or loss for the year comprises current and deferred tax. Corporation 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, using tax rates enacted or substantively enacted at the balance sheet date. The deferred tax liability relates to estimated capital gains on the sale of investment properties not taking account of indexation.

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.

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#### (s) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular business segment or geographic location, which is subject to risks and rewards that are different from those of other segments.

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#### (t) Impairment

The carrying amounts of the Group's assets, other than investment property (see accounting policy (i)) and deferred tax assets (see accounting policy (r)), 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.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Impairment losses recognised in respect of cash generating units are allocated to first reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### (i) Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### (ii) Reversal of impairment

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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#### (u) 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

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

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.

### (v) Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at fair value, being loan proceeds less issue costs. After initial recognition interest bearing loans and borrowings are amortised over their life using the effective rate method.

### (w) Principal accounting estimates and judgements

The Group's critical accounting policies and estimates are disclosed above. This note highlights the policy critical to the business based on the level of management judgement required in its application, complexity and potential impact on the results and financial position reported for the Group. The principal area of estimation is the valuation of properties, see note (i).

## 2. Segmental Analysis

The group operates in one business segment, Investment Property, across two geographical segments, UK & USA. The geographical analysis of property income, results and total assets and liabilities is as follows:

	2009			2008		
	UK	USA	Total	UK	USA	Total
	£000	£000	£000	£000	£000	£000
Total rental and related income	71,213	24,760	95,973	69,981	16,971	86,952
Profit on disposal of investment properties	6,632	126	6,758	6,578	-	6,578
Property Income	77,845	24,886	102,731	76,559	16,971	93,530
(Loss)/Profit before financing charges	(202,836)	(21,545)	(224,381)	46,876	12,225	59,101
Financing Charges	(6,422)	(17,234)	(23,656)	(2,074)	(9,960)	(12,034)
(Loss)/Profit before taxation	(209,258)	(38,779)	(248,037)	44,802	2,265	47,067
Total Assets	926,077	270,583	1,196,660	1,112,398	215,899	1,328,297
Total Liabilities	262,417	174,815	437,232	294,143	131,258	425,401
Capital Expenditure	46,961	13,050	60,011	5,853	1,908	7,761

## 3. Property Operating Expenses

	2009	2008
	£000	£000
Porterage, Cleaning and Repairs	23,522	21,326
Insurance	3,688	3,625
Building Services	16,224	11,315
Other Management Costs	10,036	10,198
	53,470	46,464

#### 4. Administrative Expenses

	2009	2008
	£000	£000
Salaries	4,807	4,576
Directors' Remuneration	1,440	1,403
Audit and Accountancy	666	706
Legal and Other Administrative Expenses	5,126	1,944
	<b>12,039</b>	<b>8,629</b>

##### Auditors' Remuneration

During the year the Group paid KPMG Audit Plc £20,000 (2008 - £20,000) for the audit of the Company and £305,000 (2008 - £266,000) for the audit of the Group's subsidiaries.

A further £98,000 (2008 - £133,000) was paid to KPMG LLP for Taxation Services and nil for all other services (2008 - Nil).

The Group jointly employed an average of 139 persons during the year (2008 - 137). The aggregate payroll costs were:

	2009	2008
	£000	£000
Wages	4,043	3,826
NI Contributions	353	326
Pensions	411	424
	<b>4,807</b>	<b>4,576</b>

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

#### 5. Net Financing Costs

	2009	2008
	£000	£000
Interest Receivable	2,980	2,287
Financial Income	2,980	2,287
Fair Value Losses on Derivative Financial Instruments	(15,378)	(6,491)
Fair Value Losses on Current Investments	(25)	(5)
Total Fair Value through Profit and Loss	<b>(15,403)</b>	<b>(6,496)</b>
Interest Payable on Loans Repayable within 5 years	(537)	(258)
Interest Payable on Loans Repayable after 5 years	(10,696)	(7,567)
Total Interest Payable on Loans and Borrowings	<b>(11,233)</b>	<b>(7,825)</b>
Financial Expenses	<b>(26,636)</b>	<b>(14,321)</b>
	<b>(23,656)</b>	<b>(12,034)</b>

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

### 6. Taxation

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

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
UK Corporation Tax at 28% (2008 - 30%)	<b>8,808</b>	9,654
Overseas Taxation	<b>693</b>	549
	<b>9,501</b>	10,203
Prior Years Adjustments	<b>(1,188)</b>	(8,340)
Reduction in Deferred Tax Rate from 30% to 28%	-	(13,157)
Deferred Tax on revaluation	<b>(77,654)</b>	4,254
	<b>(69,341)</b>	(7,040)
<b>Reconciliation of Tax Expense</b>		
(Loss)/Profit before Taxation	<b>(248,037)</b>	47,067
Corporation Tax at the Standard Rate of 28% (2008 - 30%)	<b>(69,450)</b>	14,120
Expenses Disallowed	<b>1,175</b>	623
Prior year adjustment	<b>(1,188)</b>	(8,340)
Reduction in Deferred Tax Rate from 30% to 28%	-	(13,157)
Other movements	-	(275)
Increased Tax on overseas operations	<b>122</b>	(11)
	<b>(69,341)</b>	(7,040)

### 7. Earnings per Share

Loss per share is calculated on the loss, after taxation and minority interests, of £178,690,000 (2008 - profit £54,064,000) and the weighted average shares in issue during the year of 16,295,357 (2008 - 16,295,357).

## 8. Investment Properties

	Freehold	Long Leasehold	Short Leasehold	Total 2009	Total 2008
	£000	£000	£000	£000	£000
Professional Valuation at 1 April 2008	993,059	250,619	15,138	<b>1,258,816</b>	1,233,885
Reclassification from other investments	124	-	-	<b>124</b>	-
Disposals	(302)	(569)	-	<b>(871)</b>	(1,825)
New Acquisitions	44,254	224	-	<b>44,478</b>	425
Additions to existing properties	13,264	2,269	-	<b>15,533</b>	7,336
Revaluation	(208,874)	(49,476)	(3,253)	<b>(261,603)</b>	20,664
Foreign Exchange Movements	57,059	13,158	-	<b>70,217</b>	(1,669)
Professional Valuation at 31 March 2009	898,584	216,225	11,885	<b>1,126,694</b>	1,258,816

Professional valuations of all the Group's United Kingdom investment properties were carried out at 31 March 2009 by Colliers CRE, Chartered Surveyors. The revalued figures of £892 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 2009 by Colliers, Meredith & Grew, Joseph J Blake and Associates, Inc. and Metropolitan Valuation Services Inc., USA General Certified Appraisers. The revalued figures of £235 million are based on open market values.

## 9. Deferred Tax Assets and Liabilities

	Assets	Liabilities	Net	Assets	Liabilities	Net
	£000	£000	£000	£000	£000	£000
Investment Property	-	(172,856)	(172,856)	4,612	(255,451)	(250,839)
Accelerated Capital Allowances	-	(11,178)	(11,178)	-	(6,543)	(6,543)
Financial Instruments	7,842	-	7,842	3,536	-	3,536
	<b>7,842</b>	<b>(184,034)</b>	<b>(176,192)</b>	<b>8,148</b>	<b>(261,994)</b>	<b>(253,846)</b>

Movement in Deferred Tax:

	Investment Property	Accelerated Capital Allowances	Financial Instruments	Total 2009	Total 2008
	£000	£000	£000	£000	£000
Balance 1 April 2008	(250,839)	(6,543)	3,536	<b>(253,846)</b>	(262,844)
Recognised in Income	77,983	(4,635)	4,306	<b>77,654</b>	8,998
Balance 31 March 2009	(172,856)	(11,178)	7,842	<b>(176,192)</b>	(253,846)

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

### 10. Trade and Other Receivables

	2009	2008
	£000	£000
Rent and Service Charges	21,315	17,291
Other Debtors and Prepayments	13,291	11,614
Mortgages granted repayable within one year	873	796
	<b>35,479</b>	<b>29,701</b>

### 11. Investments held as Current Assets

	2009	2008
	£000	£000
Listed Securities	198	213

### 12. Cash and Cash Equivalents

	2009	2008
	£000	£000
Bank Balances	22,810	15,476
Call Deposits	3,637	15,819
Cash at Bank	26,447	31,295
Bank Overdrafts	(273)	(358)
	<b>26,174</b>	<b>30,937</b>

Included within Bank Balances are tenants' deposits of £1,665,000 (2008 – £1,341,000) which cannot be used in the ordinary course of business.

### 13. Capital and Reserves

		2009		2008		
	Number	£000		£000		
<b>Share Capital</b>						
<b>Authorised:</b>						
Ordinary Shares of 25 pence per share	18,722,596	4,681		4,681		
<b>Allotted, Called Up and Fully Paid:</b>						
Ordinary Shares of 25 pence per share	16,295,357	4,074		4,074		
	Share Capital	Share Premium	Retained Earnings	Total	Minority Interest	Total Equity
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2007	4,074	555	857,098	861,727	135	861,862
Total Recognised Income and Expense	-	-	52,458	52,458	43	52,501
Dividends to Shareholders	-	-	(11,407)	(11,407)	(60)	(11,467)
<b>Balance at 31 March 2008</b>	<b>4,074</b>	<b>555</b>	<b>898,149</b>	<b>902,778</b>	<b>118</b>	<b>902,896</b>
Balance at 1 April 2008	4,074	555	898,149	902,778	118	902,896
Total Recognised Income and Expense	-	-	(131,588)	(131,588)	17	(131,571)
Dividends to Shareholders	-	-	(11,897)	(11,897)	-	(11,897)
<b>Balance at 31 March 2009</b>	<b>4,074</b>	<b>555</b>	<b>754,664</b>	<b>759,293</b>	<b>135</b>	<b>759,428</b>

Included within retained earnings is a translation surplus of £29,135,000 (2008 – deficit (£17,990,000)).

### 14. Trade and Other Payables

	2009		2008	
		£000		£000
Rent and Service Charges charged in advance		14,349		13,375
Other Creditors and Accruals		18,291		15,950
Derivative Financial Instruments		28,008		12,630
		<b>60,648</b>		<b>41,955</b>

## Notes to the Consolidated Financial Statements (continued)

## 15. Interest Bearing Loans and Borrowings

**Non-current Liabilities**

	2009 £000	2008 £000
Mortgage Advances	120,408	84,128
Secured Bank Loans Due 2017	20,000	20,000
Secured Bank Loans Due 2018	39,032	10,250
	<b>179,440</b>	<b>114,378</b>

Analysis of non current liabilities falling due after more than one year:

	Interest Rate %	2009 £000	2008 £000
<b>Amounts Repayable between 2014 and 2037</b>			
Instalment Mortgages due 2014 to 2019	4.50-6.75	67,194	50,368
Instalment Mortgages due 2020 to 2037	5.89-7.64	18,241	12,869
Secured Bank Loans	1.71-6.15	20,000	20,000
Secured Bank Loans	2.63-6.50	33,531	6,250
		<b>138,966</b>	<b>89,487</b>

**Amounts Repayable Between 1 April 2011 and 31 March 2014**

Instalment Mortgages	4.46-7.55	34,857	17,215
Secured Bank Loans	2.63-6.50	4,125	3,000
		<b>38,982</b>	<b>20,215</b>

**Amounts Repayable Between 1 April 2010 and 31 March 2011**

Instalment Mortgages	5.89	117	3,676
Secured Bank Loans	2.63-6.50	1,375	1,000
		<b>1,492</b>	<b>4,676</b>

Total Amount of Long Term Loans **179,440** 114,378

Amount of Long Term Loans secured on certain of the Group's properties **179,440** 114,378

**Current Liabilities**

	2009 £000	2008 £000
Bank Loans	1,375	1,000
Mortgage Advances	4,950	117
	<b>6,325</b>	<b>1,117</b>

Instalment Mortgages are secured and at fixed rates, Bank Loans are at floating rates.

## 16. Financial Instruments

In common with all businesses, the Group is exposed to risks that arise from its use of financial instruments. The Group's objectives, policies and processes for managing those risks and methods used to measure them are as follows:

### Principal financial instruments

The principal instruments used by the Group, from which risks arise, are:

	2009	2008
	£000	£000
Other receivables	14,164	12,410
Trade receivables	21,315	17,291
Bank overdraft	(273)	(358)
Cash at bank	26,447	31,295
Secured bank loans	(60,407)	(31,250)
Fixed rate installment mortgages	(125,358)	(84,245)
Trade and other payables	(32,640)	(29,325)
Derivative financial instruments	(28,008)	(12,630)

### General objectives, policies and processes

The Directors have overall responsibility for determining the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies, to the finance function. The Board reviews information on a regular basis on each of the properties, through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objectives of the Directors are to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

### Financial Assets

	2009	2008
	£000	£000
Cash - Sterling denominated	8,181	18,071
Cash - USA dollar denominated	18,266	13,224
	26,447	31,295

All cash balances receive interest at a variable rate with reference to LIBOR for sterling denominated balances and USA Prime rate for USA dollar denominated balances. All cash balances are repayable on demand.

Cash balances are subject to interest rate risk, credit risk and foreign exchange risk. The group manages its interest rates by monitoring rates receivable and seeking to maximise returns. Cash balances are generally held with major financial institutions, accordingly credit risk is not considered significant. The group retains balances in US dollars. Such amounts are not generally returned to the UK, but are held for future investment in the US.

The Group has trade and other receivables of £20,039,000 (2008 - £13,581,000) and trade and other payables of £26,759,000 (2008 - £13,668,000) denominated in USA dollars. Current asset investments are denominated in Sterling.

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

Current and non-current asset investments, trade and other receivables and payables are included in these accounts at amortised cost which is considered to equate to their fair value.

### Financial Liabilities

#### Liquidity risk

This 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 working capital and the finance charges and principle repayments of its debt instruments.

The Group has a low level of gearing relative to the property investment sector as a whole. At 31 March 2009 gearing was 15.6% and the level of debt due for repayment within one year was £6.6 million. Cash balances at the year end were £24.8 million excluding tenants deposits.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as they fall due and to achieve this aim it seeks to maintain cash balances to meet all requirements. The Group seeks to reduce liquidity risk by fixing interest rates on a proportion of its long term borrowings while retaining some loans at floating rates in order to take advantage of interest rate fluctuations.

#### Liquidity risk – profile

The maturity profile of the Group's financial liabilities is set out below:

	2009	2008
	£000	£000
Within one year or less or on demand	6,598	1,475
Between one and two years	1,492	4,676
Between two and five years	38,982	20,215
After five years	138,966	89,487
	<b>186,038</b>	<b>115,853</b>

The above profile represents the Group's capital maturity dates on its existing loan balances. The undiscounted cash outflow from loans less than one year is £12.5 million.

The Group has undrawn borrowing facilities of £nil (2008 – £nil) expiring within one year and £33.8 million (2008 – £65 million) expiring after five years.

#### Market risk

Market risk arises from the Group's use of interest bearing and foreign currency instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates, foreign exchange, or other market factors.

#### Interest rate risk – profile

The interest rate profile of the Group's financial liabilities at 31 March, after taking account of interest rate instruments taken out by the Group was:

	2009	2008
	£000	£000
Floating rate liabilities – Sterling denominated	35,680	20,358
Fixed rate liabilities – Sterling denominated	33,325	19,692
Fixed rate liabilities – USA dollar denominated	117,033	75,803
	<b>186,038</b>	<b>115,853</b>

The floating rate financial liabilities comprise Sterling denominated bank borrowings bearing rates based on LIBOR and USA dollar denominated bank borrowings bearing rates based on USA Prime rate.

The Group seeks to minimise the risk of sudden and unexpected rises in finance costs by way of financial derivative instruments while retaining the ability to take advantage of falling interest rates.

There exists an interest rate risk to the Income Statement by the recognition of the fair values of the interest rate hedging instruments. At the year end the total value of the hedging instruments is a net £153.4 million.

The potential effect on the income statement of a 0.5% movement in interest rates is a movement of £4.9 million to the total value of the hedging instruments.

#### *Foreign exchange risk*

The Group holds property and all related borrowings in US Dollars. Consequently the Group has a degree of exposure to foreign currency risk. As the Group's investments in the US are held for the long term and funds are not usually returned to the UK the Group's policy is not to hedge foreign currency transactions. Instead management monitor exchange rates on a regular basis and elect to transfer funds between the UK and the US only when the rate is favourable to do so.

The potential impact of a 10% movement in the sterling to U.S. dollar exchange rate on the balance sheet net assets is £9.5 million.

#### *Credit risk*

The Group is exposed to credit risk which arises principally from its trade receivables and other debtors. It is the risk that another party fails to discharge its obligation in respect of these instruments.

#### *Trade Receivables*

Trade receivables derive from the Group's rental income which in the main is demanded quarterly in advance. Demands for rent are sent prior to the due date. Payment of rent is made either through BACS or by cheque with some small amounts of rent occasionally received in cash.

Management monitors credit risk on an ongoing basis. Credit evaluations are performed and security deposits taken from new residential and commercial tenants. It has long been the Group's policy to make full provision against any rental arrears where recovery is in doubt. A provision will usually be made where a tenant is in arrears for more than a year or where solicitors have been instructed to recover the debt. At 31 March 2009 there were approximately £4 million of arrears which were more than a year old for which provisions have been made. During the year the provision for irrecoverable debts decreased by £2 million. Due to the large number of tenants across various sectors and geographical areas the Directors do not consider there to be a significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including financial instruments in the Balance Sheet.

#### *Hedge profile – type and maturity of protection*

The Group has a number of fixed rate mortgages.

The weighted average interest rate on these mortgages was 6.04% (2008 – 6.60%) and the weighted average period for which the borrowing is fixed at 31 March 2009 was 9 years (2008 – 10 years).

The Group has £28.8 million (2008 – £30.4 million) of fixed rate swaps which mature in 2010 and £25.0 million (2008 – £25.0 million) of fixed rate swaps which mature in 2018. The weighted average interest rate is 6.8%.

Details of Financial Risk Management are set out in the Directors Report.

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

### *Fair value of financial instruments*

The fair values have been determined by discounting the net present value of the difference between the contractual cost of derivative financial instruments and their forecast market rates.

The table below sets out by category the book values and fair value of the Group's financial liabilities.

In 2008 there was no difference between the book value and fair value of all the other financial assets and liabilities of the Group.

	<i>Book Value</i>	<i>Notional</i>	<i>Fair Value</i>	<i>Fair Value</i>
	<i>£000</i>	<i>Principal</i>	<i>adjustment</i>	<i>£000</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>2008</i>				
Financial instruments held or issued to finance the Group's operations				
<i>Liabilities:</i>				
Floating rate debt	(20,358)	-	-	(20,358)
Fixed rate debt*	(95,495)	-	(12,630)	(108,125)
Fair value adjustment			(12,630)	

	<i>Book Value</i>	<i>Notional</i>	<i>Fair Value</i>	<i>Fair Value</i>
	<i>£000</i>	<i>Principal</i>	<i>adjustment</i>	<i>£000</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>2009</i>				
Financial instruments held or issued to finance the Group's operations				
<i>Liabilities:</i>				
Floating rate debt	(35,680)	-	2,131	(33,549)
Fixed rate debt*	(150,358)	-	(28,008)	(178,366)
Fair value adjustment			(25,877)	

\*This includes floating rate debt which has been swapped to fixed rate.

### *Capital*

Any financial instrument issued by the Group which meets the definition of equity is treated as such in the financial statements. The Group does not have any externally imposed capital requirements.

*17. Net Cash from Operating Activities*

	<b>2009</b>	2008
	<b>£000</b>	£000
(Loss)/Profit for the Year	<b>(178,696)</b>	54,107
Adjustments for:		
Valuation Losses/(Gains) on Investment Properties	<b>261,603</b>	(20,664)
Fair Value Losses	<b>15,403</b>	6,496
Gain on Sale of Investment Properties	<b>(6,758)</b>	(6,578)
Interest Income	<b>(2,980)</b>	(2,287)
Interest Expense	<b>11,233</b>	7,825
Income Tax Credit	<b>(69,341)</b>	(7,040)
Operating Profit Before Changes in Working Capital and Provisions	<b>30,464</b>	31,859
(Increase)/Decrease in Debtors	<b>(1,543)</b>	2,956
Increase/(Decrease) in Creditors	<b>350</b>	(2,797)
(Increase)/Decrease in Investments held as Current Assets	<b>(10)</b>	8
Cash Generated from Operations	<b>29,261</b>	32,026
Interest Received	<b>2,977</b>	2,279
Interest Paid	<b>(11,401)</b>	(7,661)
Drawings by US Minority Interest	<b>-</b>	(60)
UK Corporation Tax Paid	<b>(6,706)</b>	(17,506)
Overseas Tax Paid	<b>(693)</b>	(466)
Net Cash from Operating Activities	<b>13,438</b>	8,612

*18. Dividends*

	<b>£000</b>
Final dividend for the year to 31 March 2007	
Paid 2 November 2007 @ 45p per share	<b>7,333</b>
Interim dividend for the year to 31 March 2008	
Paid 7 March 2008 @ 25p per share	<b>4,074</b>
Final dividend for the year to 31 March 2008	
Paid 7 November 2008 @ 48p per share	<b>7,823</b>
Interim Dividend for the year to 31 March 2009	
Paid 6 March 2009 @ 25p per share	<b>4,074</b>
Final proposed dividend for the year to 31 March 2009 @ 48p per share	<b>7,823</b>

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

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### *19. Related party transactions*

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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 and are also interested 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.

The net amounts paid for the provision of various management services charged by the Group's managing agents Highdorn Co. Limited and Freshwater Property Management Limited were £3.0 million (2008 – £3.7 million).

At 31 March 2009 £1.9 million was due from Highdorn Co. Limited and Freshwater Property Management Ltd. (2008 – £2.1 million due from Highdorn Co. Limited and Freshwater Property Management Ltd).

The Directors interests in the Company and the principal shareholders are described on pages 13 and 14.

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

### *20. Contingent liabilities*

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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.

## 21. Principal Subsidiary Undertakings

Except where indicated the following are indirect subsidiaries of the Company. 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 (Norwich) 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 (Worcester) Limited
Daejan (Cambridge) Limited	Hampstead Way Investments Limited
Daejan (Cardiff) Limited	Inputstock Limited
Daejan (Care Homes) Limited*	Inputstripe Limited
Daejan Commercial Properties Limited	Lawnstamp Limited
Daejan (Dartford) Limited	Limebridge Co. Limited
Daejan Developments Limited	Pegasus Investment Company Limited
Daejan (Durham) Limited	Rosebel Holdings Limited
Daejan Enterprises Limited	Seaglen Investments Limited
Daejan Estates Limited	St. Leonards Properties Limited
Daejan (FH 1998) Limited	The Bampton Property Group Limited
Daejan (FHNV 1998) Limited	The Cromlech Property Co. Limited
Daejan (High Wycombe) Limited	The Halliard Property Co. Limited
Daejan Investments Limited	
Daejan Investments (Grove Hall) Limited	<i>Incorporated in the USA (see note)</i>
Daejan Investments (Harrow) Limited	Daejan Holdings (US) Inc.
Daejan Investments (Park) Limited	Daejan (NY) Limited
Daejan (Kingston) Limited	Daejan Enterprises Inc.
Daejan (Lauderdale) Limited	

\* Directly owned.

Note Minority interests arise on investments in a U.S. subsidiary.

## Company Balance Sheet

as at 31 March 2009

	Notes	2009 £000	2008 £000
<b>Fixed Assets</b>			
Investment in subsidiary undertakings	3	831,295	929,236
<b>Current Assets</b>			
Debtors: Due within one year	4	–	10
Cash at Bank		2,368	14,586
		<b>2,368</b>	<b>14,596</b>
Creditors: Amounts falling due within one year	5	(15,339)	(10,804)
Net Current Assets/(Liabilities)		<b>(12,971)</b>	<b>3,792</b>
Total Assets Less Current Liabilities		<b>818,324</b>	<b>933,028</b>
Creditors: Amounts falling due after more than one year	6	(59,031)	(30,250)
<b>Net Assets</b>		<b>759,293</b>	<b>902,778</b>
<b>Capital and Reserves</b>			
Called up Share Capital	7	4,074	4,074
Share Premium Account	8	555	555
Revaluation Reserve	8	–	645,150
Other Reserves	8	893	893
Profit and Loss Account	8	753,771	252,106
		<b>759,293</b>	<b>902,778</b>

The Financial Statements on pages 48 to 51 were approved by the Board of Directors on 23 July 2009 and were signed on its behalf by:

B.S.E. Freshwater      Director  
D. Davis                      Director

The notes on pages 49 to 51 form part of these Financial Statements.

## 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.

#### 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. As permitted by section 230(4) of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company has not been presented. The Company's loss for the year after taxation is £149,867,000 (2008 profit £14,754,000).

#### Investments in Subsidiary undertakings

The historical cost of shares in subsidiary undertakings is £125 million (2008 - £18 million).

Shares in subsidiary undertakings have been valued by the Directors at 31 March 2009 based on their fair value.

#### 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 35 of the Group accounts.

### 3. Investments in subsidiary undertakings

	<i>Shares at</i>		
	<i>Valuation</i>	<i>Loans</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 April 2008	663,082	266,154	<b>929,236</b>
Loans	-	750,588	<b>750,588</b>
Additional Investments	125,004	-	<b>125,004</b>
Disposal of Investments	(662,757)	-	<b>(662,757)</b>
Revaluation	(145,934)	(185,447)	<b>(331,381)</b>
Effect of Foreign Exchange Differences	20,605	-	<b>20,605</b>
At 31 March 2009	-	831,295	<b>831,295</b>

*Notes to the Company Financial Statements (continued)**4. Debtors: Due within one year*

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Other debtors and prepayments	–	10
	–	10

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

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	<b>1,375</b>	1,000
Other creditors and accruals	<b>12,021</b>	8,288
Taxation	<b>1,943</b>	1,516
	<b>15,339</b>	10,804

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

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Secured bank loans	<b>59,031</b>	30,250

*7. Share Capital*

		<b>2009</b>	<b>2008</b>
	Number	<b>£000</b>	<b>£000</b>
Authorised:			
Ordinary Shares of 25 pence per share	18,722,596	<b>4,681</b>	4,681
Allotted, called up and fully paid:			
Ordinary Shares of 25 pence per share	16,295,357	<b>4,074</b>	4,074

## 8. Reserves

	<b>£000</b>
Share Premium Account:	
At 1 April 2008 and 31 March 2009	<b>555</b>
Revaluation Reserve:	
At 1 April 2008	<b>645,150</b>
Revaluation realised on disposal of subsidiaries	<b>(645,150)</b>
At 31 March 2009	<b>-</b>
Other Non-Distributable Reserves:	
At 1 April 2008 and 31 March 2009	<b>893</b>
Profit and Loss Account:	
At 1 April 2008	<b>252,106</b>
Foreign Exchange Movements	<b>18,279</b>
Loss after Tax for the Year	<b>(149,867)</b>
Dividend Paid in the Year	<b>(11,897)</b>
Revaluation gains realised on disposal	<b>645,150</b>
At 31 March 2009	<b>753,771</b>

## Note:

In the year to 31 March 2009 the Company transferred its shareholdings in certain of its wholly owned subsidiaries to three intermediate holding companies for a consideration of £832.9 million. As a result of the transaction the parent company realised £645.1 million of revaluation gains relating to these investments which have been transferred to the profit and loss reserve.

*Five-Year Record*

	2005	2006	2007	2008	2009
	£000	£000	£000	£000	£000
Total Rental and Related Income	83,427	95,689	90,176	86,952	<b>95,973</b>
Property Operating Expenses	(46,760)	(52,980)	(49,808)	(46,464)	<b>(53,470)</b>
Net Rental and Related Income	36,667	42,709	40,368	40,488	<b>42,503</b>
Profit on Disposal of Properties	7,959	6,173	17,169	6,578	<b>6,758</b>
Net Valuation Gains/(Losses)	64,379	130,976	153,872	20,664	<b>(261,603)</b>
Administrative Expenses	(7,669)	(9,091)	(7,630)	(8,629)	<b>(12,039)</b>
Net Operating Profit/(Loss) Before Financing Costs	101,336	170,767	203,779	59,101	<b>(224,381)</b>
Profit/(Loss) before Taxation	96,420	162,659	198,316	47,067	<b>(248,037)</b>
Income Tax (Expense)/Credit	(28,911)	(49,547)	(56,487)	7,040	<b>69,341</b>
Profit/(Loss) for the Year	67,509	113,112	141,829	54,107	<b>(178,696)</b>
Earnings/(Loss) per Share	413.7p	690.1p	868.6p	331.8p	<b>(1,096.6)p</b>
Total Assets	1,030,119	1,173,776	1,302,420	1,328,297	<b>1,196,660</b>
Equity Shareholders Funds	634,461	745,288	861,727	902,778	<b>759,293</b>
Equity Shareholders Funds & per Share	38.94	45.74	52.88	55.40	<b>46.60</b>
Issued Share Capital	4,074	4,074	4,074	4,074	<b>4,074</b>
Reserves and Retained Earnings	630,387	741,214	857,653	898,704	<b>755,219</b>
Equity Shareholders' Funds	634,461	745,288	861,727	902,778	<b>759,293</b>

## *Directors & Advisers*

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### ***Directors***

B S E Freshwater  
(Chairman and Managing Director)  
D Davis (non executive)  
S I Freshwater

### ***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 8AH

### ***Auditors***

KPMG Audit Plc,  
8 Salisbury Square,  
London EC4Y 8BB

### ***Consulting Accountants***

Cohen Arnold  
New Burlington House,  
1075 Finchley Road,  
London NW11 0PJ

### ***Principal Bankers***

Lloyds TSB Bank Plc  
Barclays Bank PLC  
The Royal Bank of Scotland Group

### ***Stockbrokers***

Brewin Dolphin Securities Limited,  
7 Drumsheugh Gardens,  
Edinburgh EH3 7QH

## Notice of Meeting

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Notice is hereby given that the Seventy Third 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 Friday 11 September 2009 at 12.30 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 2009 together with the Reports of the Directors and the Auditors. (Resolution 1.)
2. To approve the Remuneration Report for the year ended 31 March 2009. (Resolution 2.)
3. To declare a final dividend. (Resolution 3.)
4. To re-elect D Davis as a Director, who retires by rotation. (Resolution 4.)
5. To re-appoint KPMG Audit Plc as Auditors, and to authorise the Directors to agree their remuneration. (Resolution 5.)

### Special Business

To consider and if thought fit, pass the following Special Resolution:

6. That with effect from 00.01 a.m. on 1 October 2009 the Articles of Association:
  - (A) be amended by deleting all the provisions of the Memorandum of Association of the Company which, by virtue of section 28 of the Companies Act 2006, are to be treated as part of the Articles of Association; and
  - (B) contained in the document produced to the meeting and signed by the Chairman for the purposes of identification be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By Order of the Board,  
M R M Jenner  
Secretary

23 July 2009

A member entitled to attend and vote at the Meeting may appoint another person(s) to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

As at 23 July 2009 (being the latest business day prior to the publication 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 are 16,295,357.

The recommended final dividend will, if approved, be paid on 6 November 2009 to Shareholders registered at the close of business on 9 October 2009.



