Daejan Holdings PLC

Report & Financial Statements 2010

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Summary of Results

	Year ended 31 March	
	2010	2009
	£000	£000
Profit/(Loss) before Taxation	**61,129**	(248,037)
Profit/(Loss) after Taxation	**45,655**	(178,696)
Earnings/(Loss) per Share	**£2.80**	£(10.97)
Dividends per Share	**74.0p**	73.0p
Equity Shareholders' Funds per Share	**£48.17**	£46.60

Final Dividend of 49p per share payable on 12 November 2010 to shareholders on the register on 15 October 2010.

Contents

Chairman's Statement

I have pleasure in presenting the Report and Financial Statements for the year ended 31 March 2010.

This year has seen some abatement of the adverse conditions in the property market, which had such a major impact on the Group in 2009 and in consequence we have returned to our long established pattern of profitability.

Investment Properties

The table below shows a summary of the annual revaluation of our Investment Property:

	Valuation March 2010 £m	Percentage Change
Commercial Property		
UK	524.7	+3.4%
USA	35.6	–23.6%
Residential Property		
UK	408.7	+6.3%
USA	186.4	–1.1%
Total	1,155.4	+2.5%

Above & below: *The Orchards, Dartford, Kent*

The independent professional valuations of our properties have produced an overall uplift of 2.5%, a welcome contrast to the 10.5% reduction in valuation experienced in 2009.

The UK portfolio has seen a £38.8 million uplift; equivalent to 4.4% (2009 – 21% reduction). In the USA downward pressure on valuations has continued and a 5.3% reduction was experienced (2009 – 11% reduction).

The table below provides an analysis of the movement in the value of the investment property portfolio and the impact of both revaluation and foreign exchange movements over the year:

Movement in Valuation of Investment Properties

	2010 £m	2009 £m
Opening Valuation	1,126.7	1,258.8
New Acquisitions	11.3	44.5
Additions to existing properties	5.6	15.5
Disposals	(0.2)	(0.7)
	1,143.4	1,318.1
Revaluation gain/(loss)	25.0	(261.6)
Foreign Exchange (loss)/gain	(13.0)	70.2
Closing Valuation	1,155.4	1,126.7

Above & below:
Beacontree Plaza, Reading, Berks

Chairman's Statement *(continued)*

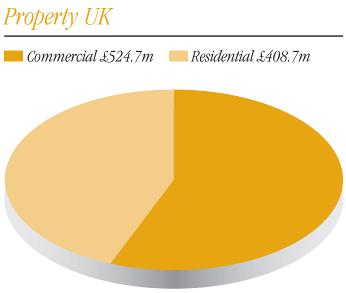
Acquisitions and Funding

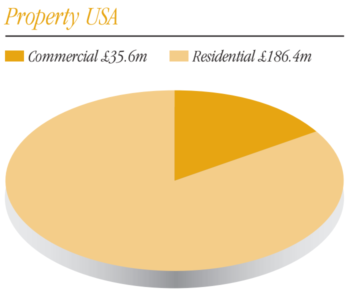
It has long been our philosophy that we will only make acquisitions where genuine value is perceived and we can be confident that the acquisition will, if desired, be capable of being refinanced on suitable terms. In the UK the supply of medium and long term finance was restricted and in the circumstances we felt it prudent to husband our resources in order to fund our forthcoming development projects which over the next two years are anticipated to absorb some £70 million. Recently there has been some slight easing in the availability of term finance although the fees and margins sought for new facilities remain at historically high levels.

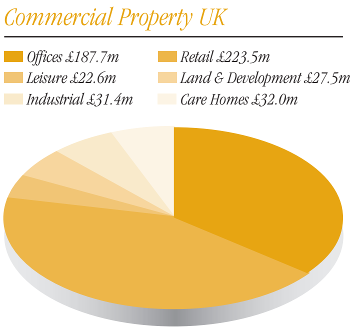
In the USA, however, the market is more liquid and we were able to secure and finance a 256 apartment complex in Tampa, Florida for $14.95 million. Improvement works to the complex are planned with a view to enhancing occupancy and rental income.

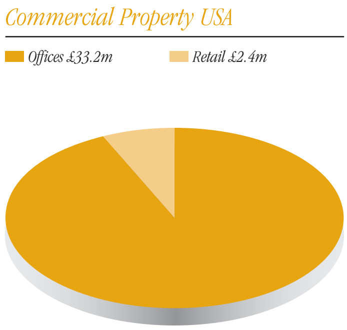
More detailed analyses of our portfolio by property type and location are set out below:

Analysis by Property Type

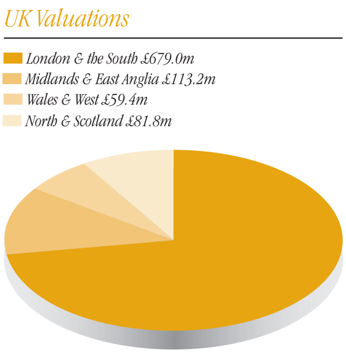


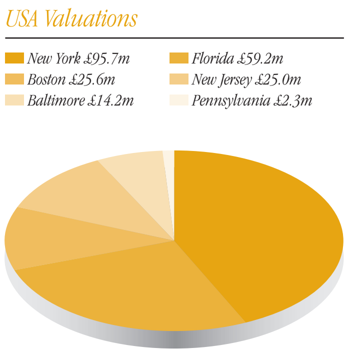






Analysis by Location





Above & left:
49-50 Great Marlborough Street, London W1

Top & opposite page:
Belvoir Park, Poole, Dorset

Chairman's Statement *(continued)*

Development Activity

During the year we have continued to develop our plans for a major scheme of refurbishment and extension at Africa House WC2. Tenders for the project are under consideration with a view to commencing work later this year. The scheme will produce a prime office building with an estimated annual rental value of not less than £5.5 million in a landmark, listed property at a total cost of some £40 million.

We continue to seek opportunities to create value within our existing property portfolio and, with this objective in mind, planning consent has been obtained to develop 15 substantial houses on land in our ownership in St John's Wood, London. This is a significant project and the necessary preparatory work is underway.

Results for the Year

The profit before taxation for the year ended 31 March 2010 amounts to £61.1 million (2009 – £248.0 million loss); this result includes a net valuation gain of £25.0 million arising on investment properties (2009 – £261.6 loss).

Above & right: *Windsor Court, London W2*

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

	2010	2009
	£m	£m
Total rental and related income from Investment Properties	99.9	96.0
Property operating expenses	(56.0)	(53.5)
Net rental and related income from Investment Properties	43.9	42.5
Profit on disposals of Investment Properties	5.1	6.7
Administrative expenses	(10.0)	(12.0)
Net Operating profit before net valuation Gains/(Losses)	39.0	37.2
Net valuation Gains/(Losses) on Investment Properties	25.0	(261.6)
Net Financing costs	(2.9)	(23.6)
Profit/(Loss) before tax	**61.1**	**(248.0)**

The increase in rental largely reflects a full year's income from properties acquired part way through the previous year. In the UK the upward effect of rent reviews in the year was offset by the impact of the termination of tenancies at Africa House in preparation for refurbishment.

During the year repair expenditure totalled £19.2 million, an increase of £2.8 million (2009 – £1.6 million increase) spread across a number of smaller projects.

Above & below:
25 Worship Street, London EC2

Chairman's Statement *(continued)*

As in the previous year, the surplus on disposals of £5.1 million (2009 – £6.7 million) relates almost entirely to the sale of residential lease extensions in the UK.

Administration expenses at £10 million are £2 million lower than in 2009 due to the non recurrence of significant costs related to the settlement of a long running tenant dispute and the corporate restructuring referred to in my statement last year.

The level of residential voids has remained steady during the year; commercial voids have continued to edge upwards reflecting the difficult economic conditions.

Re-letting activity has continued at levels consistent with previous years.

Dividend

Despite the climate of economic uncertainty, our core rental business remains robust and this gives your Board the confidence to recommend an increase in the total dividend for the year to 74p (2009 – 73p).

Balance Sheet

At 31 March 2010 shareholders funds stood at £785.0 million (2009 – £759.3 million). This is equivalent to £48.17 per share (2009 – £46.60).

Above & right:
2 Upper Wimpole Street,
London, W1

At 31 March our cash deposits were £26.2 million (2009 – £24.8 million) with undrawn medium and long term facilities of £41.6 million (2009 – £34.0 million). Gearing continues at the low level of 15.4% (2009 – 15.6%).

Environment

We take seriously the responsibility to reduce our environmental impact and to improve sustainability, wherever practical. Our ongoing repair programme continues to provide opportunities to improve the energy efficiency of our buildings and the associated plant.

We have planned the major refurbishment and extension at Africa House with the aspiration of achieving an "excellent" BREEAM rating (BREEAM is a widely used environmental assessment method for buildings).

Employees

The Group continues to benefit from an experienced and stable workforce; annual turnover is low. Staff are encouraged, with company support, to pursue appropriate programmes of professional training.

A safe and healthy working environment is provided for all our staff, with first aid training provided to employees at all Group offices.

Above, left & below left:
Newton Aycliffe Shopping Centre, County Durham

Below:
Clifton Park Estate Sutton Coldfield

Chairman's Statement *(continued)*

All our buildings are risk assessed on a regular basis and, with the help of external consultants, comprehensive Health and Safety Policies have been established. Our development in this area is closely monitored with an annual progress report at Board level. We also insist that subcontractors employ risk management procedures of a similar standard.

Community

Our support for community activities continued during the year with donations totalling £120,000, principally supporting education. As a consequence of the donation some years ago of shares in the Company, 6.3% of the total dividend payment (equivalent this year to £750,000), has passed to charitable companies for the benefit of the communities in which we operate.

Board Changes

It is my firm conviction that Daejan has benefited from the close involvement of Directors with a significant ownership interest in the capital of the company. This has enabled us to pursue a cautious, long term approach which has been to the advantage of all shareholders, as borne out by a recent survey in Property Week. In a ranking of 28 listed property companies by total shareholder return in the decade to 2009, Daejan came 5th with a return of 253% compared to a sector average of only 33%.

In furtherance of this philosophy, I believe that the time is now right to introduce the next generation of the Freshwater family, although I should add that neither my brother nor I plan to reduce our commitment to the business.

My son Raphael and my son-in-law Mordechai have been appointed to the Board and will offer themselves for election at the forthcoming AGM. Initially they will not have executive responsibilities. An active Freshwater family involvement combined with strong professional management and advisers has proven a successful formula to date and these appointments will ensure its continuation in the future.

Above & right:
Fisherman's Landing
Florida, USA

Outlook and Risks

Whilst it is encouraging that this year's accounts reflect a return to overall valuation surpluses, there remain many uncertainties on the horizon and a renewal of downward pressure on property values cannot be ruled out.

The recent action proposed by the Government to reduce the structural budget deficit is clearly welcome as it offers the best chance in the medium term of sustaining low interest rates and a return to more healthy, private sector led growth. In the short term, however, the budgetary cutbacks and the proposed rise in VAT may adversely affect our tenants and the demand for property. The response of the property market to these contradictory forces will be a significant factor in determining our results for the next several years.

Our ability to make new acquisitions and to undertake development projects depends on the availability of finance on acceptable terms. Whilst we have seen some improvement in this area, the market has a long way to go before it returns to more normal conditions.

The significant property portfolio which we hold in the USA exposes us to movements in the sterling/dollar exchange rate. However, these are accounting adjustments only, as our UK and USA businesses operate on a self-funding basis with no need for remittances of cash in either direction.

If economic growth falters or there is a return to recession then the resultant financial pressure on tenants increases the risk of bad debts and a rise in the rate of voids.

The property and financial sectors depend for their prosperity on the economy as a whole. Whilst the outlook contains much uncertainty, nevertheless we remain steadfast in the belief that our cautious, long term approach offers the best prospects of continuing success.

As ever sincere thanks must go to our loyal staff, whose unstinting efforts ensure the continued progress of the Group.

B.S.E. Freshwater
Chairman

Above & left:
Hidden Palms
Florida, USA

Directors' Report

The Directors have pleasure in presenting their Report together with the Financial Statements for the year to 31 March 2010.

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. A number of 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 2010. The resultant figures are included in the Financial Statements now presented and the net increase of £25.0 million (2009 – £261.6 million decrease) 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 surplus of £38.8 million (2009 – £232.5 million deficit). 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 $21.0 million (2009 – $42.8 million deficit).

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 profit for the year amounted to £45.7 million (2009 – £178.7 million loss). An Interim Dividend of 25p per share was paid on 5 March 2010 and the Directors now recommend the payment of a Final Dividend of 49p per share, making a total for the year of 74p per share (2009 – 73p per share).

Financial Objectives and Policies and Exposure to Financial Risk

The Group operates a cautious financial policy within clear authorities on a non-speculative and long term basis in order to enable the Group to carry on its business in confidence and with strength. The Group aims to ensure that the cost of capital is kept to a minimum through the maintenance of its many long standing relationships with leading banks and other financial institutions. The Group seeks to minimise the risk of sudden and unexpected rises in finance costs by way of financial derivative instruments whilst retaining some ability to take advantage of fluctuating interest rates.

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

Payment Policy

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.

Directors

The Directors who served throughout the year, and who are still in office, are:
Mr B S E Freshwater
Mr D Davis
Mr S I Freshwater

Mr R E Freshwater and Mr A M Freshwater (USA) were appointed to the Board on 6 July 2010.

Brief biographies of the Directors are as follows:

Mr B S E Freshwater. Aged 62 – 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 75 – 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 59 – Directs the Group's operations in the USA and also has responsibility for the Group's UK sales division. He has been a Director of the Company since January 1986.

Mr R E Freshwater Aged 40 – Standing for election to the Board at the AGM. He is currently pursuing an academic career and lectures to graduate students. He is a potential beneficiary of trusts with substantial holdings of the Company's equity.

Mr A M Freshwater Aged 39 – Standing for election to the Board at the AGM. He is resident in the UK and sits as an Arbitrator in complex commercial disputes. He is also a potential beneficiary of trusts with substantial holdings of the Company's equity and is a trustee of the BSE Freshwater 2002 Settlement owning 250,000 shares in the Company representing 1.35% of the issued share capital.

Directors' Interests

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 Ordinary Shares	
		31 March 2010	31 March 2009
D Davis	(notes 2 & 3)	**763**	763
B S E Freshwater	(notes 1, 2, 3 & 4)	**340,033**	340,033
S I Freshwater	(notes 2, 3 & 4)	**89,270**	89,270

Notes:

1. All the above holdings were beneficially owned. Mr B S E Freshwater's shareholding represents 2.1% of the Issued Share Capital of the Company.
2. A further 2,908,116 shares (2009 – 3,363,116) representing 17.8% of the Issued Share Capital of the Company were held by Freshwater family trusts and by charitable companies in which Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis have no beneficial interest. Mr D Davis and Mr A M Freshwater are trustees of the BSE Freshwater 2002 Settlement Trust which owns 250,000 shares representing 1.35% of the Issued Share Capital of the Company.
3. 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 2010 a total of 7,876,431 shares (2009 – 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.
4. Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.
5. There have been no changes in any of the above interests since 31 March 2010 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 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 holds 1,000,000 Ordinary Shares representing 6.1% of the issued share capital and Silda 2 Limited holds 705,000 Ordinary Shares, representing 4.3% of the issued share capital.

Significant Agreements

Chapter 4 of Part 28 of the Companies Act 2006 requires the Company to identify those significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid and the effects of any such agreements.

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 (2009 – £120,000). There were no political contributions (2009 – £Nil).

Auditors

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

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

21 July 2010

Directors' Remuneration Report

Audited Information

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

2010	**Salary £**	**Fees £**	**Total £**
Mr B S E Freshwater	700,000	20,000	720,000
Mr D Davis	–	20,000	20,000
Mr S I Freshwater	638,000	20,000	658,000
	1,338,000	60,000	1,398,000

2009	**Salary £**	**Fees £**	**Total £**
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

Unaudited Information

Compliance
The Company's compliance with the requirements of The Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the "Combined Code") is set out under Corporate Governance on page 18.

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

Service Contracts
No Director has a service contract.

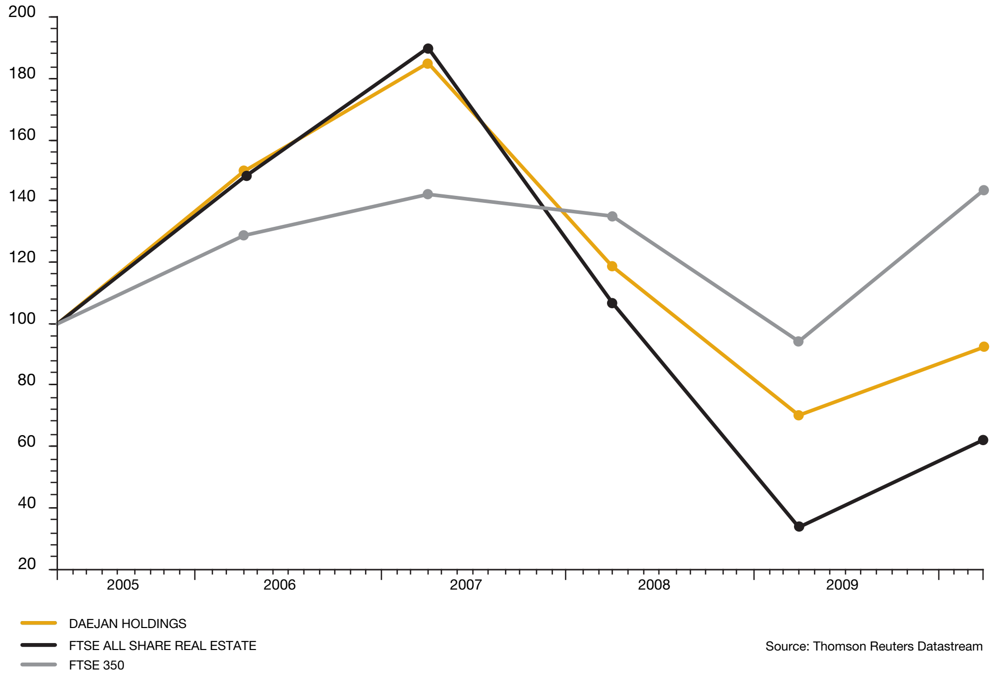
Total Shareholder Return

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

Daejan Holdings Total Shareholder Return Index versus FTSE All-Share Real Estate Sector Total Return Index and the FTSE 350 Total Return Index

for the five financial years ended 31 March 2010 (rebased as at 1 April 2005)

TSR Performance Graph



Approved by the Board on 21 July 2010 and signed on its behalf by

M R M Jenner
Company Secretary

Corporate Governance

Corporate Governance

The Board is required by the Financial Services Authority to report on the extent of its application of the principles and of its compliance with the provisions contained in the Combined Code.

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

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

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

The Board

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

During the year there were four formal Board Meetings and attendance was:
B S E Freshwater 4, S I Freshwater 4, D Davis 4.

Directors and Directors' Independence

The Board currently comprises the Chairman, three non-executive Directors and one executive Director. The names of the Directors together with their biographical details are set out on page 13. R E Freshwater and A M Freshwater are not independent by virtue of their membership of the Freshwater family. The Board acknowledge that in view of his length of service, D Davis is not technically independent.

Directors' Remuneration

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

Internal Controls

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

The Combined Code requires that the Directors review the effectiveness of the Group's system of internal controls, covering financial, operational and compliance controls and risk management.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant business risks faced by the Group and that this process has been in place for the year under review and up to the date of approval of the Annual Report and 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 to other controls which operate within the Group.

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

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

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

Corporate Governance *(continued)*

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 by 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

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 Combined 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

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

Compliance Statement

The Board consider the Company has complied throughout the year ended 31 March 2010 with the provisions of the Combined 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.4.1–4, 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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 11, which also refers to the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 16 to the financial statements includes the Group's objectives, policies and processes for managing its financial risks, together with details of its financial instruments and hedging activities and its exposures to credit, liquidity and other risks.

As shown in the Consolidated Cash Flow Statement, the Group generated net cash from operating activities of £17.0 million during the year (2009: £13.4 million). Gearing, on the basis of gross debt to total assets, was 15.4% (2009: 15.6%). Only £3.5 million of the Group's debt is repayable within the next 12 months. The Group therefore has considerable financial resources and very low gearing. As a consequence, the Directors consider that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. Consequently, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors' Responsibilities

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

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

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

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

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

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 Directors' Report, including content contained by reference, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole with a description of the principal risks and uncertainties that they face.

By order of the Board,

B S E Freshwater
Director

21 July 2010

Independent Auditors' Report

Independent auditors' report to the members of Daejan Holdings PLC

We have audited the financial statements of Daejan Holdings PLC for the year ended 31 March 2010 as set out on pages 26 to 50. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the information given in the Corporate Governance Statement set out on pages 18 to 20 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 21, in relation to going concern; and

- the part of the Corporate Governance Statement on page 20 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Andrew Marshall (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square,
London, EC4Y 8BB

21 July 2010

Consolidated Income Statement

for the year ended 31 March 2010	*Notes*	**Year ended 31 March 2010 £000**	Year ended 31 March 2009 £000
Gross Rental Income		**85,878**	83,918
Service Charge Income		**14,035**	12,055
Total Rental and Related Income from Investment Properties		**99,913**	95,973
Property Operating Expenses	*3*	**(55,983)**	(53,470)
Net Rental and Related Income from Investment Properties		**43,930**	42,503
Profit on Disposal of Investment Properties		**5,073**	6,758
Valuation Gains on Investment Properties		**61,291**	6,646
Valuation Losses on Investment Properties		**(36,294)**	(268,249)
Net Valuation Gains/(Losses) on Investment Properties	*8*	**24,997**	(261,603)
Administrative Expenses	*4*	**(10,013)**	(12,039)
Net Operating Profit/(Loss) before Net Financing Costs		**63,987**	(224,381)
Fair Value Gains/(Losses) on Financial Instruments		**8,246**	(15,378)
Fair Value Gains/(Losses) on Current Investments		**16**	(25)
Other Financial Income		**571**	2,980
Financial Expenses		**(11,691)**	(11,233)
Net Financing Costs	*5*	**(2,858)**	(23,656)
Profit/(Loss) Before Taxation		**61,129**	(248,037)
Income Tax (Charge)/Credit	*6*	**(15,474)**	69,341
Profit/(Loss) for the Year		**45,655**	(178,696)
Attributable to:			
Equity Holders of the Parent		**45,636**	(178,690)
Minority Interest		**19**	(6)
Profit/(Loss) for the Year		**45,655**	(178,696)
Basic and Diluted Earnings/(Loss) per Share	*7*	**£2.80**	(£10.97)

The notes on pages 30 to 47 form part of these Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010	**Year ended 31 March 2010 £000**	Year ended 31 March 2009 £000
Profit/(Loss) for the Year	**45,655**	(178,696)
Foreign Exchange translation differences	**(8,063)**	47,125
Total Comprehensive Income for the Year	**37,592**	(131,571)
Attributable to:		
Equity Holders of the Parent	**37,580**	(131,588)
Minority Interest	**12**	17
Total Comprehensive Income for the Year	**37,592**	(131,571)

Consolidated Statement of Changes in Equity

for the year ended 31 March 2010	Issued Share Capital	Share Premium Account	Translation Reserve	Retained Earnings	Equity Shareholders' Funds	Minority Interest	Total Equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2008	4,074	555	(17,990)	916,139	902,778	118	902,896
Loss for the Year	–	–	–	(178,690)	(178,690)	(6)	(178,696)
Other Comprehensive Income for the Year	–	–	47,102	–	47,102	23	47,125
Dividends to Equity Shareholders	–	–	–	(11,897)	(11,897)	–	(11,897)
Balance at 1 April 2009	4,074	555	29,112	725,552	759,293	135	759,428
Profit for the Year	–	–	–	45,636	45,636	19	45,655
Other Comprehensive Income for the Year	–	–	(8,056)	–	(8,056)	(7)	(8,063)
Distributions to Minority Interest	–	–	–	–	–	(4)	(4)
Dividends to Equity Shareholders	–	–	–	(11,897)	(11,897)	–	(11,897)
Balance at 31 March 2010	4,074	555	21,056	759,291	784,976	143	785,119

The notes on pages 30 to 47 form part of these Financial Statements.

Consolidated Balance Sheet

as at 31 March 2010	*Notes*	**31 March 2010 £000**	31 March 2009 £000
Assets			
Investment Properties	*8*	**1,155,384**	1,126,694
Deferred Tax Assets	*9*	**5,533**	7,842
Total Non-Current Assets		**1,160,917**	1,134,536
Trade and Other Receivables	*10*	**40,274**	35,479
Investments	*11*	**256**	198
Cash at Bank	*12*	**28,268**	26,447
Total Current Assets		**68,798**	62,124
Total Assets		**1,229,715**	1,196,660
Equity			
Issued Capital	*13*	**4,074**	4,074
Share Premium		**555**	555
Retained Earnings		**780,347**	754,664
Total Equity Attributable to Equity Holders of the Parent		**784,976**	759,293
Minority Interest		**143**	135
Total Equity		**785,119**	759,428
Liabilities			
Interest Bearing Loans and Borrowings	*15*	**185,506**	179,440
Deferred Tax Liabilities	*9*	**191,048**	184,034
Total Non-Current Liabilities		**376,554**	363,474
Bank Overdrafts	*12*	**210**	273
Interest Bearing Loans and Borrowings	*15*	**3,313**	6,325
Trade and Other Payables	*14*	**53,365**	60,648
Taxation		**11,154**	6,512
Total Current Liabilities		**68,042**	73,758
Total Liabilities		**444,596**	437,232
Total Equity and Liabilities		**1,229,715**	1,196,660

The Financial Statements on pages 26 to 47 were approved by the Board of Directors on 21 July 2010 and were signed on its behalf by:

B.S.E. Freshwater Director

D. Davis Director

The notes on pages 30 to 47 form part of these Financial Statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2010	**£000**	**Year ended 31 March 2010 £000**	£000	Year ended 31 March 2009 £000
Cash Flows From Operating Activities				
Cash Receipts – Rent and Charges	**106,252**		103,118	
Cash Paid to Suppliers and Employees	**(76,796)**		(73,857)	
Cash Generated from Operations	**29,456**		29,261	
Interest Received	**565**		2,977	
Interest Paid	**(11,541)**		(11,401)	
Distributions to Minority Interest	**(4)**		–	
UK Corporation Tax Paid	**(1,249)**		(6,706)	
Overseas Tax Paid	**(260)**		(693)	
Net Cash from Operating Activities (Note 17)		**16,967**		13,438
Cash Flows from Investing Activities				
Acquisition of Investment Properties	**(16,932)**		(60,011)	
Proceeds from Sale of Investment Properties	**5,255**		7,629	
Net cash from Investing Activities		**(11,677)**		(52,382)
Cash Flows from Financing Activities				
Repayment of Secured Loans	**(11,375)**		(1,094)	
New Secured Loans	**–**		30,250	
Repayment of Mortgage Advances	**(1,678)**		(6,118)	
New Mortgage Advances	**22,549**		17,929	
Dividends Paid	**(11,897)**		(11,897)	
Net Cash from Financing Activities		**(2,401)**		29,070
Net Increase/(Decrease) in Cash and Cash Equivalents		**2,889**		(9,874)
Cash and Cash Equivalents Brought Forward		**26,174**		30,937
Effect of Exchange Rate Fluctuations on Cash Held		**(1,005)**		5,111
Cash and Cash Equivalents (Note 12)		**28,058**		26,174

The notes on pages 30 to 47 form part of these Financial Statements.

Notes to the Consolidated Financial Statements

1. Significant accounting policies

Daejan Holdings PLC is a company domiciled in the United Kingdom. The Consolidated Financial Statements of the Company for the year ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

The Consolidated Financial Statements were authorised for issuance on 21 July 2010.

(a) Statement of compliance

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

The Company has elected to prepare its parent Company Financial Statements in accordance with UK GAAP and these are presented on pages 48 to 50.

(b) Basis of preparation

The Consolidated Financial Statements are presented in sterling, the Company's functional currency, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, investment properties and current asset investments.

Except as noted below, the accounting policies set out in this Note 1 have been applied consistently throughout the Group to all periods presented in the Consolidated Financial Statements.

The Company has adopted the following new and revised standards and interpretations with effect from 1 April 2009:

- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements (revised)
- IFRS 7 Financial Instruments: Disclosures (revised)
- IAS 23 Borrowing Costs (revised)
- IFRIC 15 Agreements for the Construction of Real Estate

The adoption of these new and revised standards and interpretations did not have a material impact on the Consolidated Financial Statements. Segmental disclosures have been made in accordance with the requirements of IFRS 8 as further detailed in Note 1(q) below and in Note 2. IAS 1 (revised) requires the presentation of a consolidated statement of changes in equity as a separate statement, which is set out on page 27.

The Company did not adopt the following revised standards which were available for optional early adoption:

- IFRS 3 Business Combinations (revised)
- IAS 27 Consolidated and Separate Financial Statements (revised)

The Company does not expect the adoption of the above revised standards to have a material impact on the Consolidated Financial Statements.

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the events or amounts involved, actual results ultimately may differ from those estimates. The areas involving a higher degree of complexity, judgement or estimation are set out in Note 1(u) below.

(c) Subsidiaries

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

(d) Transactions eliminated on consolidation

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

(e) Income available for distribution

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

(f) Foreign currency translation

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

(g) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational and financing activities. As these derivatives do not qualify for hedge accounting, they are accounted for as trading instruments. Derivative financial instruments are 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.

(h) Investment property

IFRS defines Investment Properties as those which are held either to earn rental income or for capital appreciation or both. All of the Group's property portfolio falls within this definition. 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

Notes to the Consolidated Financial Statements (continued)

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 39.

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.

(i) Investments

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

(j) Trade and other receivables

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

(k) Cash and cash equivalents

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.

(l) Dividends

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

(m) Trade and other payables

Trade and other payables are stated at their amortised cost.

(n) Net rental income

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

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

(o) Dividend income

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

(p) Taxation

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.

(q) Segmental reporting

In accordance with IFRS 8 Operating Segments, the Company has identified its operating segments on the basis of those components of the Group which are engaging in business activities from which they may earn revenues and incur expenses and for which discrete financial information is available and regularly reviewed by the Chief Operating Decision Maker in order to allocate resources and assess performance. The Company has determined the Chief Operating Decision Maker to be the Board of Directors.

Notes to the Consolidated Financial Statements *(continued)*

(r) Impairment

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

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 (or group of units) and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

(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.

(s) Provisions

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

(t) Interest bearing loans and borrowings

Floating rate interest bearing loans and borrowings are initially recognised at fair value and are subsequently recorded at amortised cost. In order to provide consistency of accounting treatment between fixed rate interest bearing loans and borrowings and floating rate loans and borrowings which have been fixed through the use of interest rate swaps, the former are subsequently recorded at fair value.

(u) Significant judgements, key assumptions and estimates

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

(i) Property valuations

The valuation of the Group's property portfolio is inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future rental values, market yields and comparable market transactions. Therefore the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of market volatility or low transaction volumes, as has recently been the case in the uncertain economic conditions. As noted in Note 1 (h) above, all the Group's properties are valued by external valuers with appropriate qualifications and experience.

(ii) Income taxes

The tax treatment of some transactions and calculations cannot be determined until a formal resolution has been reached with the relevant tax authorities. In such cases, the Group's policy is to be prudent in its assessment of the tax benefit which may accrue in accordance with the contingent asset rules in IAS 37. Where the final outcome of such matters is different from the amounts initially recorded, those differences will be reflected in the income and deferred taxes amounts at the time of formal resolution.

(iii) Valuation of hedging instruments

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

(iv) Trade receivables

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

2. *Segmental Analysis*

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

No changes in the composition of reported operating segments has resulted from the adoption of IFRS 8.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 31 March 2010	*UK* £000	*USA* £000	*Eliminations* £000	*Total* £000
Rental and related income	73,986	25,927	–	99,913
Property operating expenses	(38,548)	(17,435)	–	(55,983)
Profit on disposal of properties	5,073	–	–	5,073
Net valuation movements on properties	38,811	(13,814)	–	24,997
Administrative expenses	(9,623)	(390)	–	(10,013)
Profit/(Loss) before finance costs	69,699	(5,712)	–	63,987
Net financing costs	(2,293)	(565)	–	(2,858)
Profit/(Loss) before taxation	67,406	(6,277)	–	61,129
Income tax (charge)/credit	(17,496)	2,022	–	(15,474)
Profit/(Loss) for the year	49,910	(4,255)	–	45,655
Capital expenditure	3,461	13,471	–	16,932
as at 31 March 2010				
Investment properties	933,352	222,032	–	1,155,384
Other assets	48,225	34,576	(8,470)	74,331
Total segment assets	981,577	256,608	(8,470)	1,229,715
Total segment liabilities	(288,231)	(164,835)	8,470	(444,596)
Capital employed	693,346	91,773	–	785,119

for the year ended 31 March 2009	*UK* £000	*USA* £000	*Eliminations* £000	*Total* £000
Rental and related income	70,690	25,283	–	95,973
Property operating expenses	(36,096)	(17,374)	–	(53,470)
Profit on disposal of properties	6,632	126	–	6,758
Net valuation movements on properties	(232,526)	(29,077)	–	(261,603)
Administrative expenses	(11,536)	(503)	–	(12,039)
Loss before financing costs	(202,836)	(21,545)	–	(224,381)
Net financing costs	(7,027)	(16,629)	–	(23,656)
Loss before taxation	(209,863)	(38,174)	–	(248,037)
Income tax credit	58,597	10,744	–	69,341
Loss for the year	(151,266)	(27,430)	–	(178,696)
Capital expenditure	46,961	13,050	–	60,011
as at 31 March 2009				
Investment properties	891,365	235,329	–	1,126,694
Other assets	34,911	44,013	(8,958)	69,966
Total segment assets	926,276	279,342	(8,958)	1,196,660
Total segment liabilities	(271,155)	(175,035)	8,958	(437,232)
Capital employed	655,121	104,307	–	759,428

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

3. *Property Operating Expenses*

	2010 £000	2009 £000
Porterage, Cleaning and Repairs	**27,447**	23,522
Insurance	**3,761**	3,688
Building Services	**15,739**	16,224
Other Management Costs	**9,036**	10,036
	55,983	53,470

4. *Administrative Expenses*

	2010 £000	2009 £000
Salaries	**5,230**	4,807
Directors' Remuneration	**1,439**	1,440
Audit and Accountancy	**725**	666
Legal and Other Administrative Expenses	**2,619**	5,126
	10,013	12,039

Auditors' Remuneration

During the year the Group paid KPMG Audit Plc £20,000 (2009 – £20,000), excluding VAT, for the audit of the Company and £322,500 (2009 – £305,000), excluding VAT, for the audit of the Group's subsidiaries.

No fees (2009 – £98,000) were paid to KPMG LLP for taxation services and £22,500 (2009 – Nil), excluding VAT, for all other services.

The Group jointly employed an average of 143 persons during the year (2009 – 139). The aggregate payroll costs were:

	2010 £000	2009 £000
Wages	**4,427**	4,043
NI Contributions	**390**	353
Pensions	**413**	411
	5,230	4,807

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

Notes to the Consolidated Financial Statements *(continued)*

5. Net Financing Costs

	2010 £000	2009 £000
Interest Receivable	**571**	2,980
Financial Income	**571**	2,980
Fair Value Gains/(Losses) on Derivative Financial Instruments	**8,246**	(15,378)
Fair Value Gains/(Losses) on Current Investments	**16**	(25)
Total Fair Value through Profit and Loss	**8,262**	(15,403)
Interest Payable on Loans Repayable within 5 years	**(125)**	(537)
Interest Payable on Loans Repayable after 5 years	**(11,566)**	(10,696)
Total Interest Payable on Loans and Borrowings	**(11,691)**	(11,233)
Financial Expenses	**(3,429)**	(26,636)
	(2,858)	(23,656)

6. Taxation

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

	2010 £000	2009 £000
UK Corporation Tax at 28% (2009 – 28%)	**7,395**	8,808
Overseas Taxation	**274**	693
	7,669	9,501
Prior Years Adjustments	**(1,518)**	(1,188)
Deferred Tax on revaluation	**9,323**	(77,654)
Total tax charge/(credit)	**15,474**	(69,341)
Reconciliation of Tax Expense		
Profit/(Loss) before Taxation	**61,129**	(248,037)
Corporation Tax at the Standard Rate of 28% (2009 – 28%)	**17,116**	(69,450)
Disallowed items	**(172)**	1,175
Prior year adjustment	**(1,518)**	(1,188)
Increased Tax on overseas operations	**48**	122
Total tax charge/(credit)	**15,474**	(69,341)

7. Earnings per Share

Earnings per share is calculated on the earnings, after taxation and minority interests, of £45,636,000 (2009 – loss £178,690,000) and the weighted average shares in issue during the year of 16,295,357 (2009 – 16,295,357).

8. *Investment Properties*

	Freehold £000	Long Leasehold £000	Short Leasehold £000	**Total 2010 £000**	Total 2009 £000
Professional Valuation at 1 April 2009	898,584	216,225	11,885	**1,126,694**	1,258,816
Reclassification from other investments	–	–	–	**–**	124
Disposals	(59)	(123)	–	**(182)**	(871)
New Acquisitions	10,667	163	464	**11,294**	44,478
Additions to existing properties	5,214	424	–	**5,638**	15,533
Revaluation	16,472	8,446	79	**24,997**	(261,603)
Foreign Exchange Movements	(11,578)	(1,479)	–	**(13,057)**	70,217
Professional Valuation at 31 March 2010	919,300	223,656	12,428	**1,155,384**	1,126,694

Professional valuations of all the Group's UK investment properties were carried out at 31 March 2010 by Colliers CRE, Chartered Surveyors. The revalued figures of £933.4 million are based on open market values in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual. The Group's USA investment properties were also professionally valued at 31 March 2010 by Colliers, Meredith & Grew, Joseph J Blake and Associates, Inc. and Metropolitan Valuation Services Inc., USA General Certified Appraisers. The revalued figures of £222.0 million are based on open market values.

9. *Deferred Tax Assets and Liabilities*

	Assets £000	**Liabilities £000**	**2010 Net £000**	Assets £000	Liabilities £000	2009 Net £000
Investment Property	**–**	**(179,870)**	**(179,870)**	–	(172,856)	(172,856)
Accelerated Capital Allowances	**–**	**(11,178)**	**(11,178)**	–	(11,178)	(11,178)
Financial Instruments	**5,533**	**–**	**5,533**	7,842	–	7,842
	5,533	**(191,048)**	**(185,515)**	7,842	(184,034)	(176,192)

Movement in Deferred Tax:

	Investment Property £000	Accelerated Capital Allowances £000	Financial Instruments £000	***Total 2010 £000***	*Total 2009* £000
Balance 1 April 2009	(172,856)	(11,178)	7,842	**(176,192)**	(253,846)
Recognised in Income	(7,014)	–	(2,309)	**(9,323)**	77,654
Balance 31 March 2010	(179,870)	(11,178)	5,533	**(185,515)**	(176,192)

Notes to the Consolidated Financial Statements (continued)

10. Trade and Other Receivables

	2010 £000	2009 £000
Rent and Service Charges	**20,527**	21,315
Other Debtors and Prepayments	**19,005**	13,291
Mortgages granted repayable within one year	**742**	873
	40,274	35,479

11. Investments held as Current Assets

	2010 £000	2009 £000
Listed Securities	**256**	198

12. Cash and Cash Equivalents

	2010 £000	2009 £000
Bank Balances	**16,510**	22,810
Call Deposits	**11,758**	3,637
Cash at Bank	**28,268**	26,447
Bank Overdrafts	**(210)**	(273)
	28,058	26,174

Included within Bank Balances are tenants' deposits of £2,043,000 *(2009 – £1,665,000)* which cannot be used in the ordinary course of business.

13. Share Capital

	Number	2010 £000	2009 £000
Allotted, Called Up and Fully Paid:			
Ordinary Shares of 25 pence per share	**16,295,357**	**4,074**	4,074

14. Trade and Other Payables

	2010 £000	2009 £000
Rent and Service Charges charged in advance	**12,980**	14,349
Other Creditors and Accruals	**20,623**	18,291
Derivative Financial Instruments	**19,762**	28,008
	53,365	60,648

15. Interest Bearing Loans and Borrowings

Non-current Liabilities

	2010 £000	2009 £000
Instalment Mortgages	**137,850**	120,408
Secured Bank Loans Due 2017	**20,000**	20,000
Secured Bank Loans Due 2018	**27,656**	39,032
	185,506	179,440

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

	Interest Rate %	2010 £000	2009 £000
Amounts Repayable between 2015 and 2037			
Instalment Mortgages due 2015 to 2020	5.38-6.75	**56,129**	67,194
Instalment Mortgages due 2021 to 2037	5.89-7.64	**25,498**	18,241
Secured Bank Loans	0.93-1.97	**20,000**	20,000
Secured Bank Loans	1.24-2.11	**22,156**	33,531
		123,783	138,966
Amounts Repayable Between 1 April 2012 and 31 March 2015			
Instalment Mortgages	4.50-7.64	**44,373**	34,857
Secured Bank Loans	1.24-2.11	**4,125**	4,125
		48,498	38,982
Amounts Repayable Between 1 April 2011 and 31 March 2012			
Instalment Mortgages	4.46-7.64	**11,850**	117
Secured Bank Loans	1.24-2.11	**1,375**	1,375
		13,225	1,492
Total Amount of Long Term Loans		**185,506**	179,440
Amount of Long Term Loans secured on certain of the Group's properties		**185,506**	179,440

Current Liabilities

	2010 £000	2009 £000
Bank Loans	**1,375**	1,375
Instalment Mortgages	**1,938**	4,950
	3,313	6,325

Instalment Mortgages are secured and at fixed rates. Bank Loans are at floating rates except where these have been fixed though the use of interest rate swaps as set out in Note 16.

Notes to the Consolidated Financial Statements *(continued)*

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:

	2010	**2009**
	£000	£000
Other receivables	**19,747**	14,164
Trade receivables	**20,527**	21,315
Bank overdraft	**(210)**	(273)
Cash at bank	**28,268**	26,447
Secured bank loans	**(49,031)**	(60,407)
Fixed rate instalment mortgages	**(139,788)**	(125,358)
Trade and other payables	**(33,603)**	(32,640)
Derivative financial instruments	**(19,762)**	(28,008)

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 properties on a regular basis, 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

	2010	**2009**
	£000	£000
Cash – Sterling denominated	**17,986**	8,181
Cash – USA dollar denominated	**10,282**	18,266
	28,268	26,447

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 £20,066,000 *(2009 – £20,039,000)* and trade and other payables of £20,789,000 *(2009 – £26,759,000)* denominated in USA dollars. Current asset investments are denominated in Sterling.

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 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 2010 gearing was 15.4%, on the basis of gross debt to total assets, and the level of debt due for repayment within one year was £3.5 million. Cash balances at the year end were £26.2 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:

	2010	*2009*
	£000	£000
Within one year or less or on demand	**3,523**	6,598
Between one and two years	**13,225**	1,492
Between two and five years	**48,498**	38,982
After five years	**123,783**	138,966
	189,029	186,038

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 £13.5 million.

The Group has undrawn borrowing facilities of £nil *(2009 – £nil)* expiring within one year and £41.6 million *(2009 – £33.8 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:

	2010	*2009*
	£000	£000
Floating rate liabilities – Sterling denominated	**24,241**	35,680
Fixed rate liabilities – Sterling denominated*	**48,116**	33,325
Fixed rate liabilities – USA dollar denominated	**116,672**	117,033
	189,029	186,038

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

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

Notes to the Consolidated Financial Statements *(continued)*

The Group seeks to minimise the risk of sudden and unexpected rises in finance costs by the use of a mixture of fixed rate debt and financial derivative instruments while retaining the ability to take advantage of fluctuating interest rates.

There exists an interest rate risk to the Income Statement by the recognition of the fair values of the fixed rate debt and other interest rate hedging instruments. At the year end the total value of the hedging instruments is a net £159.6 million.

The potential effect on the income statement of a 0.5% movement in interest rates is a movement of £4.0 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 £8.3 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 electronically 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 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 2010 there were approximately £6.0 million of arrears which were more than a year old for which provisions have been made. During the year the provision for irrecoverable debts increased by £1.0 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 6.07% *(2009 – 6.04%)* and the weighted average period for which the borrowing is fixed at 31 March 2010 was 10 years *(2009 – 9 years)*.

The Group has £26.6 million *(2009 – £28.8 million)* of fixed rate swaps which mature in 2010 and £25.0 million (2009 – £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.

Fair value of financial instruments

With the exception of floating rate debt which has not been fixed through the use of interest rate swaps, the Group's financial instruments are either recorded at their fair value or their fair values are not materially different from their book values. The fair value of the Group's floating rate debt is shown below.

	2010	**2009**
	£000	£000
Floating rate debt at book value	**(24,241)**	(35,680)
Adjustment to fair value	**2,083**	2,131
Floating rate debt at fair value	**(22,158)**	(33,549)

The fair values of fixed rate debt and derivative financial instruments, together with the fair values shown above for floating rate debt, have been determined by discounting the differences between the cash flows based on contractual cost and the cash flows based on forecast market rates. As such these fair values measurements are classified as Level 2 as defined by IFRS 7.

Capital management

The capital structure of the Group consists of equity attributable to equity holders of the parent together with net debt. This is kept under constant review to ensure that the Group has sufficient capital to fund its operations and that the Group's strategy of low gearing is maintained. The Group seeks to maintain a balance between longer term finance appropriate to fund its long term investment property holding strategy and cost-effectiveness. All the Group's borrowings are from committed facilities. The Group has no externally imposed capital requirements.

17. Net Cash from Operating Activities

	2010	**2009**
	£000	£000
Profit/(Loss) for the Year	**45,655**	(178,696)
Adjustments for:		
Valuation (Gains)/Losses on Investment Properties	**(24,997)**	261,603
Fair Value (Gains)/Losses	**(8,262)**	15,403
Gain on Sale of Investment Properties	**(5,073)**	(6,758)
Interest Income	**(571)**	(2,980)
Interest Expense	**11,691**	11,233
Income Tax Charge/(Credit)	**15,474**	(69,341)
Operating Profit Before Changes in Working Capital and Provisions	**33,917**	30,464
Increase in Debtors	**(5,785)**	(1,543)
Increase in Creditors	**1,366**	350
Increase in Investments held as Current Assets	**(42)**	(10)
Cash Generated from Operations	**29,456**	29,261
Interest Received	**565**	2,977
Interest Paid	**(11,541)**	(11,401)
Distributions to US Minority Interest	**(4)**	-
UK Corporation Tax Paid	**(1,249)**	(6,706)
Overseas Tax Paid	**(260)**	(693)
Net Cash from Operating Activities	**16,967**	13,438

Notes to the Consolidated Financial Statements *(continued)*

18. Dividends

	£000
Final dividend for the year to 31 March 2008	
Paid 7 November 2008 @ 48p per share	**7,823**
Interim dividend for the year to 31 March 2009	
Paid 6 March 2009 @ 25p per share	**4,074**
Final dividend for the year to 31 March 2009	
Paid 6 November 2009 @ 48p per share	**7,823**
Interim Dividend for the year to 31 March 2010	
Paid 5 March 2010 @ 25p per share	**4,074**
Final proposed dividend for the year to 31 March 2010 @ 49p per share	**7,985**

19. Related party transactions

Day-to-day management of the Group's properties in the United Kingdom is mainly carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies 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 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 £3.1 million *(2009 – £3.0 million)*.

At 31 March 2010 £5.2 million was due from Highdorn Co. Limited and Freshwater Property Management Limited *(2009 – £1.9 million)*.

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

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

Incorporated in the USA (see note)

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

* Directly owned.

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

Company Balance Sheet

as at 31 March 2010

	Notes		2010		2009
		£000	**£000**	£000	£000
Fixed Assets					
Investment in subsidiary undertakings	3		**856,719**		831,295
Current Assets					
Cash at Bank		**4,808**		2,368	
		4,808		2,368	
Creditors: Amounts falling due within one year	4	**(28,895)**		(15,339)	
Net Current Liabilities			**(24,087)**		(12,971)
Total Assets Less Current Liabilities			**832,632**		818,324
Creditors: Amounts falling due after more than one year	5		**(47,656)**		(59,031)
Net Assets			**784,976**		759,293
Capital and Reserves					
Called up Share Capital	6		**4,074**		4,074
Share Premium Account	7		**555**		555
Other Reserves	7		**893**		893
Profit and Loss Account	7		**779,454**		753,771
			784,976		759,293

The Financial Statements on pages 48 to 50 were approved by the Board of Directors on 21 July 2010 and were signed on its behalf by:

B.S.E. Freshwater Director

D. Davis Director

The notes on pages 49 to 50 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.

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments in subsidiaries, and in accordance with applicable UK accounting standards and applicable law. As permitted by section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented. The Company's profit for the year after taxation is £40,854,000 (2009 loss £149,867,000).

(b) Investments in Subsidiary undertakings

The historical cost of shares in subsidiary undertakings is £125.1 million (2009 – £125.0 million). Shares in subsidiary undertakings have been valued by the Directors at 31 March 2010 based on their fair value.

(c) Foreign Currencies

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

2. *Profit on ordinary activities before taxation*

The company has no staff other than its Directors and their remuneration is set out on page 16 of the Group accounts. The Parent Company audit fee is disclosed on page 37 of the Group accounts.

3. *Investments in subsidiary undertakings*

	Shares at Valuation £000	*Loans £000*	***Total £000***
At 1 April 2009	–	831,295	**831,295**
Loans	–	(275)	**(275)**
Additional Investments	60	–	**60**
Revaluation	3,675	25,699	**29,374**
Effect of Foreign Exchange Differences	(3,735)	–	**(3,735)**
At 31 March 2010	–	856,719	**856,719**

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

	2010 £000	***2009** £000*
Bank loans and overdrafts	**1,375**	1,375
Other creditors and accruals	**23,323**	12,021
Taxation	**4,197**	1,943
	28,895	15,339

Notes to the Company Financial Statements (continued)

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

	2010	2009
	£000	£000
Secured bank loans	**47,656**	59,031

6. *Share Capital*

		2010	2009
	Number	**£000**	£000
Allotted, called up and fully paid:			
Ordinary Shares of 25 pence per share	16,295,357	**4,074**	4,074

7. *Reserves*

	£000
Share Premium Account:	
At 1 April 2009 and 31 March 2010	**555**
Other Non-Distributable Reserves:	
At 1 April 2009 and 31 March 2010	**893**
Profit and Loss Account:	
At 1 April 2009	**753,771**
Foreign Exchange Movements	**(3,274)**
Profit after Tax for the Year	**40,854**
Dividend Paid in the Year	**(11,897)**
At 31 March 2010	**779,454**

8. *Reconciliation of movements in shareholders' funds*

	2010	2009
	£000	£000
Profit/(Loss) after Tax for the Year	**40,854**	(149,867)
Foreign Exchange Movements	**(3,274)**	18,279
Dividend Paid in the Year	**(11,897)**	(11,897)
Net Movement in Shareholders' Funds	**25,683**	(143,485)
Shareholders' Funds at 1 April	**759,293**	902,778
Shareholders' Funds at 31 March	**784,976**	759,293

Five-Year Record

	2006 £000	2007 £000	2008 £000	2009 £000	**2010 £000**
Total Rental and Related Income	95,689	90,176	86,952	95,973	**99,913**
Property Operating Expenses	(52,980)	(49,808)	(46,464)	(53,470)	**(55,983)**
Net Rental and Related Income	42,709	40,368	40,488	42,503	**43,930**
Profit on Disposal of Investment Properties	6,173	17,169	6,578	6,758	**5,073**
Net Valuation Gains/(Losses) on Investment Properties	130,976	153,872	20,664	(261,603)	**24,997**
Administrative Expenses	(9,091)	(7,630)	(8,629)	(12,039)	**(10,013)**
Net Operating Profit/(Loss) Before Financing Costs	170,767	203,779	59,101	(224,381)	**63,987**
Profit/(Loss) before Taxation	162,659	198,316	47,067	(248,037)	**61,129**
Income Tax (Expense)/Credit	(49,547)	(56,487)	7,040	69,341	**(15,474)**
Profit/(Loss) for the Year	113,112	141,829	54,107	(178,696)	**45,655**
Earnings/(Loss) per Share	690.1p	868.6p	331.8p	(1,096.6)p	**280.1p**
Total Assets	1,173,776	1,302,420	1,328,297	1,196,660	**1,229,715**
Equity Shareholders Funds	745,288	861,727	902,778	759,293	**784,976**
Equity Shareholders Funds £ per Share	45.74	52.88	55.40	46.60	**48.17**
Issued Capital	4,074	4,074	4,074	4,074	**4,074**
Reserves and Retained Earnings	741,214	857,653	898,704	755,219	**780,902**
Equity Shareholders' Funds	745,288	861,727	902,778	759,293	**784,976**

Directors & Advisers

Directors

B S E Freshwater

(Chairman and Managing Director)

D Davis (non executive)

S I Freshwater

A M Freshwater

R E 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

Notice is hereby given that the Seventy Fifth 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 Thursday 2 September 2010 at 2.00 p.m. for the following purposes:

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

1. To receive the Financial Statements for the year ended 31 March 2010 together with the Reports of the Directors and the Auditors. (Resolution 1.)

2. To approve the Remuneration Report for the year ended 31 March 2010. (Resolution 2.)

3. To declare a final dividend. (Resolution 3.)

4. To elect Mr R E Freshwater as a Director. (Resolution 4.)

5. To elect Mr A M Freshwater as a Director. (Resolution 5.)

6. To re-elect S I Freshwater as a Director, who retires by rotation. (Resolution 6.)

7. To re-appoint KPMG Audit Plc as Auditors, and to authorise the Directors to agree their remuneration. (Resolution 7.)

By Order of the Board,

M R M Jenner
Secretary

21 July 2010

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 21 July 2010 (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 12 November 2010 to Shareholders registered at the close of business on 15 October 2010.