

DAEJAN

HOLDINGS PLC

Annual Report & Accounts
2016

Company No:-
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DAEJAN

HOLDINGS PLC

Annual Report & Accounts
2016

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Chairman's Introduction

It gives me pleasure to report on a year which has seen steady progress throughout the Group with an overall increase in shareholders' funds of 10% to £1,480.0 million.

The net revaluation gain at £117.9 million was, as anticipated, significantly lower than the previous year (2015 - £229.7 million). This reflects a general slowdown in the rate of growth of property values in both the UK and USA and an absence of the positive non-recurring items which benefited the prior year.

Our property values in the UK rose by an overall 5.5% (2015 - 15.5%) whilst those in the USA rose, in dollar terms, by 9.8% (2015 - 13.4%). In recent years we have experienced significant rates of growth in property values in central London and central New York. This year we have seen the growth rates in both city centres slow somewhat whilst the rates of growth outside central areas have increased.

Our rental and related income from investment property grew by 7.1% in the year with increases spread widely throughout the portfolio.

Outlook

The immediate future will be dominated by the political and economic uncertainty generated by the recent decision for the UK to leave the European Union ("EU"). The Bank of England has indicated that the UK economy faces a sharp slowdown in the rate of growth and has recently highlighted that valuations in some segments of the UK commercial property market, notably the prime London market, may have become stretched.

We know from experience that these conditions will not be good for our UK business with adverse impacts on rental income, capital values, vacancy rates and bad debts. There have already been market reports of downward pressure on commercial property values with a number of property investment funds closing to redemptions. Development projects will be re-evaluated and investment decisions postponed.

Those who advocated leaving the EU asserted that economic benefits would arise after an initial period of upheaval but at present it is difficult to see through the fog of uncertainty which confronts us.

Our property portfolio in the USA should continue to benefit from growth in rental and capital values in that market. Continued weakness in the sterling/dollar rate of exchange will increase the sterling value of our USA assets and profits.

As a Group we have always pursued a long term, low risk approach to generating growth in net asset value. This strategy is particularly appropriate in uncertain times.

We have the financial facilities in place to enable us to take appropriate opportunities which may arise.

Whilst it is extremely difficult to see with any clarity what the immediate future holds, the fundamentals of the Group are strong and our gearing is low. This gives me confidence that once the UK economy emerges from this difficult period the Group will be well placed for continued growth.

Dividend

The continued growth in our underlying profit gives the Board confidence to propose an increase in the total dividend of 5p to 93p (2015 - 88p).

These results are produced by the efforts of our loyal and hardworking staff throughout the Group; sincere thanks must go to them all.



B S E Freshwater
Chairman

Front cover,
contents page,
back cover, above
and right: Park
West, London W2.

Financial Highlights

NET VALUATION GAIN

£117.9 million

(2015: £229.7 million)

PROFIT BEFORE TAX

£173.2 million

(2015: £277.5 million*)

EARNINGS PER SHARE

£8.77

(2015: £13.95*)

SHAREHOLDERS' FUNDS

£1,480.0 million

(2015: £1,345.8 million*)

SHAREHOLDERS' FUNDS PER SHARE

£90.82

(2015: £82.59*)

GEARING

14.9%

(2015: 15.5%*)

PROPOSED TOTAL DIVIDEND PER SHARE

93p

(2015: 88p)

*Comparative figures have been restated to reflect the impact of a change in accounting policy for fixed rate loans and borrowings. See Note 1(b)

Strategic Report

Objectives

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

Strategy

The strategy for achieving our objectives has three principal elements:

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

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

Business model

The main activity of the Group, as carried on through its subsidiary companies, is investment in commercial, industrial and residential property in the UK and also on the eastern seaboard of the USA. The Group generally holds its properties for the long term in order to generate rental income and capital appreciation although in the right circumstances any property could be available for sale.

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

Similar arrangements with local managing agents operate in the USA.

Managing risk

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

The Board has undertaken a robust assessment of the principal risks facing the Group, including those threatening its business model, future performance, solvency and liquidity.

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

*Above and right:
Park West,
London W2.*

Strategic Report *(continued)*

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

Managing risk has been central to the success of the Group over many years and in particular gearing has been kept at a relatively low level for the property industry; currently gearing is 14.9%.

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

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

External risks

Economic outlook

Following the recent referendum decision to leave the European Union ("EU"), the UK economy faces a period of unprecedented uncertainty. The Bank of England has forecast a sharp reduction in anticipated growth with the distinct possibility of moving into recession. Past experience of similar circumstances warns us to expect the risk of downward pressure on rental and capital values and an increase in vacancy rates and bad debts.

The USA presents a much brighter picture with continuing economic growth and sustained demand for commercial space and residential accommodation.

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

We seek to mitigate and manage such risk by:

- Continuous monitoring of the economic outlook
- Continued maintenance of low gearing
- Rigorous tenant covenant checks including independent assessments for major lets. In the case of smaller properties we undertake such checking as is appropriate
- Enhanced rent collection effort to minimise the possibility of bad debts

Availability of finance on acceptable terms

In recent years the UK property finance market has developed positively with a somewhat greater availability of debt finance at lesser margins and an improving appetite for risk. It remains to be seen the extent to which this will be sustained in the present period of economic uncertainty. Fortunately the banks are now much better capitalised than at the start of the last downturn which gives cause for some optimism that finance on acceptable terms will continue to be made available.

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

We seek to mitigate and manage this risk by:

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

Above and right:
*Park West,
London W2.*

Strategic Report (continued)

Movements in currency rates of exchange

With almost 25% by value of the Group's property portfolio located in the USA, any significant strengthening in the sterling/dollar exchange rate could adversely impact our reported results.

In the period since the decision to leave the EU the sterling/dollar exchange rate has fallen materially which will, if maintained, have the effect of increasing the reported value of our USA assets and profits.

We mitigate and manage this risk by:

- Funding US assets by US dollar borrowings and local retained earnings. This means that the impact of movements in the exchange rate is limited to accounting adjustments in the Group's consolidated accounts. The overall impact on the results for the current year is immaterial; an accounting gain of £5.6 million arises in reserves on the re-translation of the opening net book value of assets in the USA

Regulation

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

We seek to mitigate and manage this risk by:

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

Catastrophic events

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

We seek to mitigate and manage this risk by:

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

Tenant default

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

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

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

Internal risks

Regional concentration in UK portfolio

Within the UK the majority of our properties are situated in and around the London area. In recent years the increase in value of our UK portfolio has been almost entirely derived from the London area which has enjoyed a period of well publicised growth. A slowdown in the London market such as has occurred over the last year will significantly reduce the net annual revaluation uplifts in the

***Opposite page
and below: the
newly completed
Southgate Lodge,
South Croydon,
Greater London.***

UK portfolio. Changes in aggregate property value have a direct impact on the net worth of the Group.

We seek to mitigate and manage this risk by:

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

Acquisitions

The Group seeks well priced acquisitions which will meet the strategic objective of adding long term, low risk growth in net asset value. The Group's oft stated aversion to undue risk means that in a period of economic uncertainty opportunities for acquisition will be approached with extreme caution. There is nevertheless a risk that an inappropriate or ill-judged acquisition could destroy value.

We seek to mitigate and manage this risk by:

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

Development

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

We seek to mitigate and manage these risks by:

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

People

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

We have sought to mitigate and manage this risk by:

- The appointment some years ago of two new directors from the next generation of the Freshwater family

Investment properties

A professional valuation of all of the Group's properties was carried out at 31 March 2016. The UK properties were valued by Colliers International Property Advisers UK LLP, Chartered Surveyors. In the USA, properties were valued by Joseph J. Blake and Associates, Inc. and Metropolitan Valuation Services, Inc. both of which are Certified General Real Estate Appraisers.

The table below shows a summary of the valuation of our investment property at 31 March 2016:

	Valuation March 2016 £m	Percentage change in year
Commercial property		
UK	884.4	+4.0%
USA	61.2	+16.1%
Residential property		
UK	648.4	+9.1%
USA	426.7	+16.8%
Total	2,020.7	+8.5%

The pictures on these pages comprise properties in the block bordered by Berwick Street, Oxford Street and Wardour Street, London W1. Above: Oxford Street. Opposite page clockwise from top left: 1: Berwick Street, 2, 3 & 4: Oxford Street, 5 & 6: Wardour Street.

Strategic Report (continued)

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

	2016	2015
	£m	£m
Opening valuation	1,855.2	1,546.7
New acquisitions	10.4	35.0
Additions to existing properties	16.6	8.4
Disposals	(3.7)	(4.7)
	1,878.5	1,585.4
Revaluation gain	117.9	229.7
Foreign exchange gain	13.0	40.1
Closing valuation*	2,009.4	1,855.2

*In this table and in the financial statements, the total valuation of £2,020.7 million (2015 - £1,862.6 million) has been reduced by an amount of £11.3 million (2015 - £7.4 million) relating to lease incentives, as required by accounting standards - see Note 9 to the consolidated financial statements.

Above and right:
Witley Court,
London WC1

Strategic Report (continued)

Overall the net UK valuation surplus is 5.5% (2015 - 15.5%). Commercial property values have been driven by rent increases with only modest adjustments to yields. We continue to see weakness in the values of provincial commercial and retail properties.

In central London top end residential property values have remained flat while residential property values in the outer suburbs have shown strong growth.

Our USA properties have produced an uplift in dollar terms of 9.8% (2015 - 13.4%). In New York City we have also seen a slowdown in the growth rate of residential property values in the central areas of Manhattan and Brooklyn but an increase in the more affordable outer area of Queens.

Acquisitions and Developments

In November 2015 the Group acquired Chalet Court in Tampa, Florida for \$14.9 million. Chalet Court is a garden apartment complex comprising a total of 244 residential units.

In the UK, work commenced on the £26 million construction contract for our pre-let Travelodge Hotel offering 395 bedrooms in Aldgate on the eastern edge of the City of London. This represents the culmination of planning and preparation work carried out over many years to enhance the value of our long held Cromlech Street site.

Results for the year

The profit before taxation for the year ended 31 March 2016 amounts to £173.2 million (2015 - £277.5 million). The result includes a net valuation gain of £117.9 million arising on investment properties (2015 - £229.7 million).

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

	2016 £m	2015 £m (Restated)
Total rental and related income from investment property	138.2	129.0
Property operating expenses	(70.0)	(70.1)
Net rental and related income from investment property	68.2	58.9
Profit on disposals of investment property	11.7	12.0
Administrative expenses	(13.0)	(11.8)
Net operating profit before net valuation gains	66.9	59.1
Net valuation gains on investment property	117.9	229.7
Net financing expense	(11.6)	(11.3)
Profit before taxation	173.2	277.5

Comparative figures have been restated to reflect the impact of a change in accounting policy for fixed rate loans and borrowings as set out in Note 1(b) on page 46.

Total rental and related income from investment property has increased in the year by 7.1%. Increases in rental income have been achieved across many properties in both the UK and USA. Newly acquired properties and those acquired part way through the prior year have also contributed to this growth.

Below:
an artist's
impression of the
Travelodge Hotel,
Middlesex Street,
Aldgate, London E1.
Opposite page:
the site prior to
demolition and
redevelopment.

Service charge income has increased due to a number of major works programmes across the UK portfolio together with new lettings.

Our programme of refurbishment and re-letting vacant residential units continues to produce increases in rental income. Overall we have seen increases in the UK in both our commercial and residential rent rolls.

In the USA our new acquisition, Chalet Court, contributed rental income of \$0.8 million. Significant rent review rises were obtained on our properties in Baltimore and Boston.

As in recent years, the profits on disposals derive principally from leasehold extensions and enfranchisements in the UK.

Increased borrowing in the USA to fund newly acquired property, combined with the weakness of sterling have produced an increase in net interest costs; this has been partially offset by an increase in fair value gains on financial instruments.

The Group's effective tax rate for the current year was 17.5% (2015: 18.0%). The current year tax charge benefitted from a reduction in the future tax rate to 18% which has reduced deferred tax liabilities. This reduction was largely offset by a greater proportion of total profits arising in the USA, where tax rates are higher than in the UK.

Earnings per share

This year earnings per share stands at £8.77.

*Above, left and
opposite page:
Clifton Park Estate,
Sutton Coldfield,
East Midlands.*

Strategic Report (continued)

Underlying profit

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

	2016 £m	2015 £m
Profit before tax per the income statement	173.2	277.5
Property valuation surplus	(117.9)	(229.7)
Financial instruments fair value adjustments	(0.8)	(0.1)
Adjustment to measurement of disposal profits	1.3	1.7
Underlying profit before tax	55.8	49.4

This year's underlying profit of £55.8 million represents an increase of 13% on the previous year.

Underlying profit represents that element of our reported results which has actually been realised and is not dependent on valuation judgements. It represents the performance of our core rental business together with disposal profits which tend to fluctuate from year to year.

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

Gearing

Gearing, the ratio between our borrowings and the value of our total assets, is 14.9% (2015 - 15.5%) for the Group as a whole. In the UK the ratio is 7.2% (2015 - 7.8%) whilst in the USA, where each property is financed separately on a ring-fenced basis, it is 38.3% (2015 - 40.7%).

*Above, right and
opposite page:
Clare Court,
London WC1.*

Strategic Report (continued)

Prior year gearing ratios have been restated to reflect the change in accounting policy set out in Note 1(b) on page 46.

Shareholders' funds

At 31 March 2016 shareholders' funds amounted £1,480.0 million, an increase of 10% on last year's figure of £1,345.8 million. Shareholders' funds have grown in recent years as follows:

Dividend

The proposed total dividend for the year of 93p per share represents an increase of 5.7% (2015 - 88p).

Outlook

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

The uncertainty in the UK economy means that we will approach the coming year with more than usual caution and a bias towards the conservation of our cash resources.

Notwithstanding the immediate economic uncertainty, we continue actively to consider a number of significant schemes of redevelopment which we hope to bring to fruition over the coming years.

By way of example, during the year a programme was drawn up for the development in the UK of some 250 new residential flats spread over a number of our existing sites at an estimated cost of £50 million. The first block, Southgate Lodge, was completed in January 2016 and the programme will extend over several years with the speed dictated by market conditions. The current economic uncertainty is likely to result in a slower roll out than was originally planned.

In the UK, current market sentiment is that we are at or about the peak of this property cycle. Although it is likely that modest valuation gains may continue, significant uplifts will be dependent upon the completion of successful developments, rent reviews and lettings.

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

Employees

As mentioned above, day-to-day activities are outsourced to management companies who are responsible for the provision of the services of the staff on which we rely to run the business. As part of the arrangements with the management companies in the UK, those individuals engaged on the Group's affairs hold joint employment contracts but the management companies retain sole

responsibility for setting recruitment, employment, training, health and safety, diversity and human rights policies for their staff. Whilst the Group supports and encourages good practice in all of these areas, detailed responsibility for the establishment and execution of such policies lies with the management companies. As a result, this report does not contain the kind of information mentioned in the Companies Act 2006 s414C (7)(b)(ii) and (iii).

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

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

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

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

Community

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

- Donations, largely to educational charities; this year the donations amounted to £150,000 (2015 - £150,000)
- Dividends on donated shares; following the donation some years ago to charities of shares representing 6.3% of the capital of the Company, dividend payments in the year of £909,010 (2015 - £847,000) have passed to charitable companies

*Above and left:
Aspen Grove,
Bucks Landing
Florida, USA.*

Strategic Report (continued)

Environment

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

In consequence, we have no disclosures to make in relation to greenhouse gas emissions and therefore this report does not contain information of the kind mentioned in Part 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

However, when we undertake new developments or major schemes of refurbishment we strive to achieve the highest environmental standards consistent with the nature of the building and the scheme being undertaken. So, for example, the hotel which we are developing for Travelodge has been designed to achieve a BREEAM excellent rating. The environmental features include combined heat and power for energy efficiency, management of surface water run-off, energy efficient lighting, and the use of recycled aggregates and sustainably sourced construction materials.

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

Viability statement

In accordance with provision C.2.2 of the 2014 UK Corporate Governance Code, the Directors have considered the Group's viability, taking into account its current financial, strategic and operational position, the Board's future plans for the business and the principal risks faced by the Group, described on pages 6 - 11 of the Strategic Report.

The Board have carried out a comprehensive assessment of the likelihood and the plausible worst-case potential impact of the principal risks. Whilst carrying out this assessment, the Board considered the strength and effectiveness of the controls in place to mitigate risks.

The directors have had to make assumptions regarding the plausible worst-case impact. In particular, they have considered in detail and sought advice on the potential impact to UK property prices, demand for UK property and the willingness of financial institutions to lend to UK property companies, following the recent decision for the UK to leave the European Union. Headroom on loan covenants has been stress-tested and maturities of loan agreements reviewed.

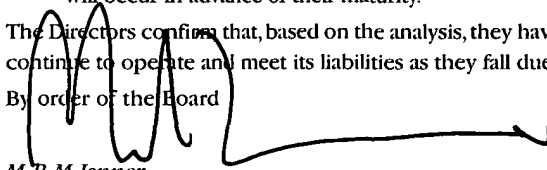
The Directors consider five years to be an appropriate time horizon for the business and this is consistent with the period which has been used for strategic planning.

- The Group has a low risk, balanced portfolio of properties, with many commercial properties occupied by tenants with long leases. Based on current trends, the Directors believe that the Group will continue to be able to grant short term leases on residential properties and new leases on commercial properties at comparable rents, taken overall, for at least five more years.
- The Group is dependent on external funding and has long term loans, mortgages, and available and committed facilities which are spread over a period of years. Most UK bank finance is available for an initial term of five years and 77% of the Group's current bank facilities mature between March 2020 and March 2021. Discussions regarding the renewal, replacement or repayment of such facilities will occur in advance of their maturity.

The Directors confirm that, based on the analysis, they have a reasonable expectation that the Group can continue to operate and meet its liabilities as they fall due over the five year period of their assessment.

By order of the Board

Above:
260 West End
Avenue, Manhattan,
New York.


M R M Jenner
Company Secretary

Directors' Report

Strategic Report

The Company's Strategic Report for the year ended 31 March 2016 is set out on pages 4 to 22 and contains the following information:

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

Results and Dividend

The profit for the year amounted to £143.0 million (2015 - £227.6 million). An interim dividend of 35p per share was paid on 4 March 2016 and the Directors now recommend the payment of a final dividend of 58p per share, making a total for the year of 93p per share (2015 - 88p per share).

The dividend, if approved, will be paid on 11 November 2016 to shareholders on the register on 14 October 2016.

Directors

The Directors who served throughout the year, unless as indicated below, and who are still in office, are:

Mr B S E Freshwater
Mr A E Bude (died 28 July 2015)
Mr D Davis
Mr S I Freshwater
Mr R E Freshwater
Mr A M Freshwater (USA)

Brief biographies of the Directors are as follows:

Mr B S E Freshwater. Aged 68 - 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 81 - 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 65 - 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 46 - He is currently pursuing an academic career and lectures to graduate students. He is an actual and a potential beneficiary of trusts and a trustee of certain other trusts with substantial holdings of the Company's equity. He was appointed to the Board in 2010.

Directors' Report *(continued)*

Mr A M Freshwater. Aged 45 - He is resident in the UK and sits as an Arbitrator in complex commercial disputes. He is a potential beneficiary of trusts and a trustee of certain other trusts with substantial holdings of the Company's equity. He was appointed to the Board in 2010.

The rules governing the election and re-election of Directors are set out in the Corporate Governance Report on page 32. The powers of Directors of the Company are as set out in the Company's articles of association. During the year, the Company did not purchase any shares.

Directors' Interests in Transactions

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

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

Share Capital and Substantial Directors' and other Shareholdings

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

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

		Daejan Holdings PLC Ordinary Shares	
		31 March 2016	31 March 2015
A E Bude		-	-
D Davis	(Notes 2 & 3)	763	763
B S E Freshwater	(Notes 1, 2, 3 & 4)	340,033	340,033
S I Freshwater	(Notes 2, 3 & 4)	89,270	89,270
R E Freshwater	(Notes 2 & 3)	-	-
A M Freshwater	(Notes 2 & 3)	-	-

Notes:

- All the above holdings were beneficially owned. Mr B S E Freshwater's shareholding represents 2.1% of the issued share capital of the Company.
- A further 2,908,116 shares (2015 - 2,908,116) representing 17.8% of the issued share capital of the Company were held by Freshwater family trusts and by charitable companies in which Mr B S E Freshwater, Mr S I Freshwater, Mr D Davis and Mr A M Freshwater have no beneficial interest. Mr S I Freshwater and Mr A M Freshwater are trustees of a trust which owns 250,000 shares representing 1.5% of the issued share capital of the Company. Mr R E Freshwater has a beneficial interest in certain trusts referred to in this Note 2 which together hold 326,294 shares, representing 2.0% of the issued share capital of the Company.
- In addition to the holdings shown in the table and in Note 2 above, companies owned and controlled by Mr B S E Freshwater, Mr S I Freshwater, their families and family trusts, held at 31 March 2016 a total of 7,876,431 shares (2015 - 7,876,431) representing 48.3% of the issued share capital of the Company.

Mr D Davis and Mr A M Freshwater have a non-beneficial interest in some of these shares, either as a Director of the companies concerned, or as a trustee. Mr R E Freshwater has a beneficial interest in certain trusts included in this Note 3 which indirectly have interests in 3,774,853 shares, representing 23.2% of the issued share capital of the Company.

4. Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.

Included in Notes 2 and 3 above are the following holdings at 31 March 2016, each amounting to 3% or more of the Company's issued share capital:

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

In addition, the Company has been notified of the following substantial interests in its issued share capital at 31 March 2016:

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

The Company is not aware of any changes to any of the above interests from 31 March 2016 up to the date of signing this report.

Relationship agreement with controlling shareholders

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

- (a) transactions and arrangements with the controlling shareholders (and/or any of their associates) will be conducted at arm's length and on normal commercial terms;
- (b) neither the controlling shareholders nor any of their associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and
- (c) neither the controlling shareholders nor any of their associates will propose or procure the proposal of a shareholder resolution which is intended to circumvent proper application of the Listing Rules.

Directors' Report (continued)

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

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

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

The Board confirms that, since the entry into the Relationship Agreement on 14 November 2014 until 21 July 2016, being the latest practicable date prior to the publication of the annual report and accounts:

- (1) the Company has complied with the independence provisions included in the Relationship Agreement;
- (2) so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by all of the other parties to the Relationship Agreement and their associates and;
- (3) so far as the Company is aware, the other parties to the Relationship Agreement have procured compliance with the independence provisions in the Relationship Agreement by their related companies and their associates.

Corporate Governance

This report combines by reference the Corporate Governance Report on pages 32 to 35, which includes a statement on going concern, and the Directors' Remuneration Report on pages 28 to 31.

Change of Control

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

The Group has seven bank loan and mortgage facilities which contain change-of-control clauses. Five of these facilities require the prior written consent of the lender to a change of control over the parent company, without which such change of control would constitute an event of default. A change of control under the remaining two facilities would similarly constitute an event of default but no provision is made for the prior written consent of the lender. At 31 March 2016, these facilities represented £116.1 million (2015 – £118.3 million restated*) of the loans and borrowings in the financial statements and all of the undrawn facilities (£48.4 million, 2015 – £48.8 million).

*see Note 1(b)

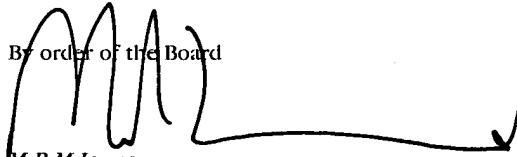
Auditor

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

Statement of Disclosure of Information to the Auditor

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

By order of the Board

A handwritten signature in black ink, appearing to be 'M R M Jenner', with a long horizontal stroke extending to the right.

M R M Jenner
Secretary

21 July 2016

Directors' Remuneration Report

Directors' Remuneration Policy

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

1. Overview

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

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

2. Executive Directors' potential remuneration

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

3. Strategy

Purpose

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

Annual review

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

The annual review takes into consideration:

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

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

Shareholder views

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

4. Benefits

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

5. Pension

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

6. Recruitment and executive Directors

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

7. Service contracts

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

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

Annual Report on Remuneration

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

Total remuneration

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

	Salary	Benefits	Perfor- mance pay	Long term perfor- mance pay	Pension contri- butions	Total
2016	£	£	£	£	£	£
Mr B S E Freshwater	1,100,000	-	-	-	-	1,100,000
Mr A E Bude	6,538	-	-	-	-	6,538
Mr D Davis	20,000	-	-	-	-	20,000
Mr S I Freshwater	1,100,000	-	-	-	-	1,100,000
Mr R E Freshwater	20,000	-	-	-	-	20,000
Mr A M Freshwater	20,000	-	-	-	-	20,000
	2,266,538	-	-	-	-	2,266,538

Directors' Remuneration Report *(continued)*

Comparative table

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

Changes in the year

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

Mr BSE Freshwater received an increase in basic salary of £100,000 per annum during the year (2015 - £130,000), equivalent to 10% (2015 - 14.9%) and Mr SI Freshwater received an increase in basic salary of £100,000 per annum during the year (2015 - £180,000), equivalent to 10% (2015 - 22.0%). Both of these increases were agreed at a meeting of the full Board, but at which the executive Directors did not participate in the discussion or decisions taken.

The total staff costs borne by the Group under its arrangements with its management companies in the UK increased by 3.3% (2015 - 6.5%). Since such staff are employed under these arrangements, no consultations regarding Directors' remuneration policy or implementation have been held.

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

Non-executive Directors' remuneration

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

Relative importance of spend on pay

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

	Staff costs		Directors' remuneration		Dividends to shareholders	
	£000	% of total	£000	% of total	£000	% of total
2016	6,827	29.1	2,267	9.7	14,340	61.2
2015	6,606	30.0	2,067	9.4	13,362	60.6

Statement of Directors shareholdings and share interests

There is no minimum shareholding requirement for executive or non-executive Directors. The Directors' share interests are complex and are set out in detail in the Directors' Report on pages 24 and 25.

Approval of Directors' Remuneration Report

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

For	13,640,383	96.15%
Against	518,007	3.65%

Total shareholder return

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

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

Mr B S E Freshwater	£
2007	640,000
2008	670,000
2009	700,000
2010	720,000
2011	740,000
2012	770,000
2013	820,000
2014	870,000
2015	1,000,000
2016	1,100,000

By order of the Board

D Davis

21 July 2016

Corporate Governance Report

Overview

The Board is required to report on the extent of its application of the principles and of its compliance with the provisions contained in the 2014 UK Corporate Governance Code ("the Code").

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

We do not comply with the provisions of the Code in connection with non-executive representation on the Board. Whilst it is likely a further non-executive director will be appointed we remain doubtful that a further significant extension of non-executive participation would benefit our shareholders. We consider it vital that the principle of a unitary Board of Directors, sharing responsibility for all facets of the Company's business, should not be undermined by reserving areas of decision making solely for non-executive Directors. For this reason the matters which the Code recommends should be reserved for audit, nomination and remuneration committees are dealt with by the entire Board and it is intended to continue this practice. In view of the fact that the Board comprises only 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 the Company's Board of Directors. The Board's main roles are to create value for shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met.

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

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

The entire Board is responsible for the selection and approval of candidates for appointment to the Board. The Board recognises the growing emphasis placed on criteria such as diversity and gender but continues to believe that appointees should be selected primarily on the basis of a full, balanced

range of criteria considered to be key to the management of the Group, without any forced emphasis.

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

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

Directors and Directors' Independence

The Board currently comprises the Chairman, who acts in an executive capacity, one further executive Director and three non-executive Directors. The names of the Directors together with their biographical details are set out on pages 23 and 24. Mr R E Freshwater and Mr A M Freshwater are not independent by virtue of their membership of the Freshwater family. The Board acknowledges that, in view of his length of service, Mr D Davis is technically not independent.

Financial Reporting

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

Accounting and significant areas of judgement

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

External auditor

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

Internal Controls

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure

Corporate Governance Report (continued)

to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

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

Key elements of the Group's system of internal controls

These are as follows:

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

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

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

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

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

Investor Relations

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

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

Compliance Statement

The Board considers the Company has complied throughout the year ended 31 March 2016 with the provisions of the Code with the exception of the following paragraphs:

Paragraph	Subject
A.2.1; A.3.1	Division of Chairman and CEO responsibilities
A.4.1-2; B.1.1-2	Non-executive directors and composition of the Board
B.2.1; 2.2; 2.4; B.3.1-2	Nomination committee and its responsibilities
B.4.1	Development of the Board
B.6.1-3	Evaluation of the Board
C.3.1-8	Audit committee and its responsibilities
D.1.1; D.2.1-2	Remuneration committee and its responsibilities

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 4 to 22, which also refers to the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, Note 16 to the financial statements includes the Group's objectives, policies and processes for managing its financial risks, together with details of its financial instruments, hedging activities and exposures to credit, liquidity and market risks.

As shown in the consolidated statement of cash flows, the Group generated net cash from operating activities of £48.4 million during the year (2015 - £26.1 million). Gearing, on the basis of gross debt to total assets, was 14.9% (2015 - 15.5% restated*). Net debt (total loans and borrowings less cash and cash equivalents) has decreased to £237.1 million (2015 - £252.1 million restated*), due principally to cash generated from operations. The Group has undrawn committed facilities of £48.4 million at the balance sheet date (2015 - £48.8 million). The Group has considerable financial resources and very low gearing and therefore, the Directors consider that the Group is well placed to manage its business risks successfully in the current and foreseeable economic conditions. Consequently, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

*see Note 1(b)

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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, subject to any material departures disclosed and explained in the Group financial statements;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

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

Responsibility statement

Each of the Directors, whose names are listed on page 23, confirm that, to the best of their knowledge:

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

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

By order of the Board

B S E Freshwater
Chairman

21 July 2016

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Daejan Holdings PLC for the year ended 31 March 2016 set out on pages 42 to 78. 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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of significance, were as follows (unchanged from 2015):

Valuation of investment properties: £2,009.4 million (2015: £1,855.2 million) Risk vs 2015: no change

Refer to page 11 (Strategic report), page 33 (Accounting and significant areas of judgement), page 50 (Significant accounting policies) and page 55 (Notes to the consolidated financial statements).

- **The risk** - Valuation of investment properties is considered a significant audit risk due to the materiality of the carrying amount (93% of total assets) and the subjective nature of property valuations which depend on the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions.
- **Our response** - Our audit procedures included meeting with the Group's external valuers to challenge the assumptions and methodologies used in valuing the investment properties and the market evidence used by the external valuers to support these assumptions. We used our own real estate specialists to assist us in evaluating the assumptions, methodologies, competency, and independence of the external valuers. With the assistance of our real estate specialists, for a sample of properties we assessed whether the valuations were performed in accordance with RICS Valuation Professional Standards or their US equivalent. We challenged the external valuers' assumptions by comparing yields on a sample of properties to benchmark indices and evaluated the extent to which the movements in valuations were consistent with our industry knowledge and comparable market transactions. In addition we compared a sample of key inputs used in the valuation model, such as rental income, occupancy and current tenancy contracts, to the Group's property management system and lease contracts. We also critically assessed the adequacy of the Group's disclosures including the accuracy of the fair value measurement categorisation and adequacy of the disclosure of the valuation techniques and significant unobservable inputs.

Current tax liability: £44.8 million (2015: £35.7 million) Risk vs 2015: no change

Refer to page 33 (Accounting and significant areas of judgement), page 50 (Significant accounting policies) and page 54 (Notes to the consolidated financial statements)

- **The risk** - Accruals for tax contingencies require the directors to make judgements and estimates in relation to tax issues and exposures. This is a key audit risk due to the time taken for tax matters to be agreed with the tax authorities and complexity of tax legislation.
- **Our response** - Our audit procedures included the use of our own local tax specialists to assist us in assessing the Group's tax positions and its correspondence with the relevant tax authorities. We analysed and challenged the assumptions used to determine tax provisions based on our knowledge and experiences of the application of local legislation by the relevant authorities and courts. We have also assessed the adequacy of the Group's disclosures in respect of tax and uncertain tax positions by reference to relevant accounting standards.

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

The materiality for the Group financial statements as a whole was set at £19.7 million (2015: £16.6 million), determined with reference to a benchmark of total assets, of which it represents 0.9% (2015: 0.8%). In addition, we applied materiality of £2.5 million (2015: £5.3 million) which is 4.4% of the profit before tax for the year adjusted for net valuation gains on investment property, measurement of disposal profits and fair value gains/(losses) on derivative instruments and current investments (2015: 2.9% normalised by averaging over the last 3 years due to fluctuations in the business cycle) to rental income, property operating expenses, administrative expenses and financial expenses, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the company's members' assessment of the financial performance of the Group.

We report to the board any corrected or uncorrected identified misstatements exceeding £985,000 (2015: £800,000) (and £125,000 (2015: £265,000) for rental income, property operating expenses, administrative expenses and financial expenses), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group has 50 (2015: 74) group reporting components, two of which, one sub-group in the UK and one sub-group in the US, were audited by component auditors. The sub-group in the UK was subject to a full-scope audit performed to component materiality of £1.0 million (2015: 24 subsidiary components each with materialities ranging from £1,300 to £5.3 million). The sub-group in the US was subject to a full-scope audit to component materiality of £0.3 million (2015: £0.1 million). The remaining 48 (2015: 49) components were audited by the Group engagement team and were subject to full-scope audits performed to component materialities ranging from £1,995 to £2.4 million (2015: £1,302 to £5.3 million). The Group team approved the component materialities having regard to the mix of size and risk profile of the Group across the components.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The 50 components within the scope of our work accounted for 100% of each of total Group revenue, Group profit before taxation and total Group assets.

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

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

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of viability statement on page 22, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the 5 year period of their assessment; or
- the disclosures on page 35 of the Corporate Governance Report concerning the use of the going concern basis of accounting.

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

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

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

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on pages 35 and 22, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Report on pages 32 to 35 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on pages 36 and 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



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

21 July 2016

Consolidated Income Statement

<i>for the year ended 31 March 2016</i>	<i>Notes</i>	Year ended 31 March 2016 £000	Year ended 31 March 2015 (Restated*) £000
Gross rental income		117,733	112,847
Service charge income		20,464	16,129
Total rental and related income from investment property	2	138,197	128,976
Property operating expenses	3	(70,008)	(70,041)
Net rental and related income from investment property		68,189	58,935
Profit on disposal of investment property		11,725	12,036
Net valuation gains on investment property	9	117,947	229,722
Administrative expenses	4	(13,041)	(11,821)
Net operating profit before net financing costs		184,820	288,872
Fair value gains on derivative financial instruments		788	137
Fair value (losses)/gains on current investments		(10)	7
Other financial income	5	336	286
Financial expenses	5	(12,692)	(11,763)
Net financing expense		(11,578)	(11,333)
Profit before taxation		173,242	277,539
Income tax	6	(30,237)	(49,979)
Profit for the year		143,005	227,560
Attributable to:			
Equity holders of the parent		142,900	227,395
Non-controlling interest		105	165
Profit for the year		143,005	227,560
Basic and diluted earnings per share	7	£8.77	£13.95

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

*see Note 1(b)

Consolidated Statement of Comprehensive Income

	Year ended 31 March 2016	Year ended 31 March 2015 (Restated*)
<i>for the year ended 31 March 2016</i>	£000	£000
Profit for the year	143,005	227,560
Foreign exchange translation differences	5,649	14,273
Total comprehensive income for the year	148,654	241,833
Attributable to:		
Equity holders of the parent	148,547	241,647
Non-controlling interest	107	186
Total comprehensive income for the year	148,654	241,833

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

Consolidated Statement of Changes in Equity

<i>for the year to 31 March 2016</i>	Issued share capital £000	Share premium account £000	Translation reserve £000	Retained earnings £000	Equity shareholders' funds £000	Minority interest £000	Total equity £000
Balance at 1 April 2014, as previously reported	4,074	555	12,796	1,093,043	1,110,468	169	1,110,637
Restatement*	-	-	(644)	7,709	7,065	-	7,065
Balance at 1 April 2014, as restated	4,074	555	12,152	1,100,752	1,117,533	169	1,117,702
Profit for the year	-	-	-	227,395	227,395	165	227,560
Foreign exchange translation differences	-	-	14,252	-	14,252	21	14,273
Distributions to minority interest	-	-	-	-	-	(299)	(299)
Dividends to equity shareholders	-	-	-	(13,362)	(13,362)	-	(13,362)
Balance at 31 March 2015	4,074	555	26,404	1,314,785	1,345,818	56	1,345,874
Profit for the year	-	-	-	142,900	142,900	105	143,005
Foreign exchange translation differences	-	-	5,647	-	5,647	2	5,649
Distributions to minority interest	-	-	-	-	-	(94)	(94)
Dividends to equity shareholders	-	-	-	(14,340)	(14,340)	-	(14,340)
Balance at 31 March 2016	4,074	555	32,051	1,443,345	1,480,025	69	1,480,094

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

*see Note 1(b)

Consolidated Balance Sheet

<i>as at 31 March 2016</i>	<i>Notes</i>	31 March 2016	31 March 2015 (Restated*)
		£000	£000
Assets			
Investment property	9	2,009,361	1,855,230
Deferred tax assets	10	571	792
Total non-current assets		2,009,932	1,856,022
Trade and other receivables	11	63,119	55,586
Current investments		159	187
Cash and cash equivalents	12	84,863	52,293
Total current assets		148,141	108,066
Total assets		2,158,073	1,964,088
Equity			
Share capital	13	4,074	4,074
Share premium		555	555
Translation reserve		32,051	26,404
Retained earnings		1,443,345	1,314,785
Total equity attributable to equity holders of the parent		1,480,025	1,345,818
Non-controlling interest		69	56
Total equity		1,480,094	1,345,874
Liabilities			
Loans and borrowings	15	306,412	285,747
Deferred tax liabilities	10	255,296	232,210
Total non-current liabilities		561,708	517,957
Loans and borrowings	15	15,516	18,663
Trade and other payables	14	55,987	45,879
Current taxation		44,768	35,715
Total current liabilities		116,271	100,257
Total liabilities		677,979	618,214
Total equity and liabilities		2,158,073	1,964,088

The financial statements on pages 42 to 70 were approved by the Board of Directors on 21 July 2016 and were signed on its behalf by:

B.S.E. Freshwater

Director

D. Davis

Director

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

*see Note 1(b)

Consolidated Statement of Cash Flows

<i>for the year ended 31 March 2016</i>	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Cash flows from operating activities		
Cash receipts from rent and service charges	141,487	134,113
Cash paid to suppliers and employees	(79,958)	(92,908)
Cash generated from operations	61,529	41,205
Interest received	336	289
Interest paid	(12,598)	(11,731)
Payments to non-controlling interest	(94)	(299)
Tax paid	(772)	(3,383)
Net cash from operating activities	48,401	26,081
Cash flows from investing activities		
Acquisition and development of investment property	(26,939)	(43,460)
Proceeds from sale of investment property	12,807	16,772
Net cash absorbed by investing activities	(14,132)	(26,688)
Cash flows from financing activities		
Repayment of bank loans	(1,302)	(33,353)
New bank loans	-	36,611
Repayment of mortgages	(21,341)	(23,793)
New mortgages	34,379	25,085
Dividends paid to equity holders of the parent	(14,340)	(13,362)
Net cash absorbed by financing activities	(2,604)	(8,812)
Net increase/(decrease) in cash and cash equivalents	31,665	(9,419)
Cash and cash equivalents brought forward	52,293	59,149
Effect of exchange rate fluctuations on cash held	905	2,563
Cash and cash equivalents (Note 12)	84,863	52,293

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

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

Daejan Holdings PLC is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were authorised for issuance on 21 July 2016.

(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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and these are presented on pages 71 to 78.

(b) Basis of preparation and change in accounting policy

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

The financial statements have been prepared on a going concern basis as explained in the Corporate Governance Report on page 35.

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.

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

Accounting policy change

During the year ended 31 March 2016 the Group changed its accounting policy for loans and borrowings. Prior to the change, the Group initially recognised and subsequently recorded fixed rate loans and borrowings at fair value. Following the change, the Group will continue to initially recognise loans and borrowings at fair value, but will subsequently record them at amortised cost.

The Directors believe that the change in accounting policy will be beneficial to users of the financial statements as most, if not all, other large property investment companies in the United Kingdom have adopted this policy. This will provide more reliable and relevant comparisons between the Group's financial position and results with that of other property investment companies.

To maintain consistency between reporting periods, the Group has applied this change retrospectively. The Group has therefore adjusted the comparative figures for the year ended 31 March 2015 so that these figures are presented as if the change in accounting policy had always applied.

The impact of the change in policy affects the carrying value of loans and borrowings, the fair value of gains and losses recognised and the associated deferred tax credits and assets.

Loans and borrowings cumulatively decreased by £20,228,000 at 31 March 2016, by £18,380,000 at 31 March 2015 and by £11,679,000 at 1 April 2014. Deferred tax assets cumulatively decreased by £6,756,000 at 31 March 2016, by £6,155,000 at 31 March 2015 and by £4,614,000 at 1 April 2014. The translation reserve cumulatively increased by £173,000 at 31 March 2016, decreased by £39,000 at 31 March 2015 and decreased by £644,000 at 1 April 2014. Retained earnings cumulatively increased by £13,299,000 at 31 March 2016, by £12,264,000 at 31 March 2015 and by £7,709,000 at 1 April 2014.

The fair value losses on fixed rate loans and borrowings recognised in the consolidated income statement were eliminated in each period. The impact was a gain of £1,487,000 for the year ended 31 March 2016 and a gain of £5,599,000 for the year ended 31 March 2015. The income tax charge increased by £451,000 for the year ended 31 March 2016 and by £1,044,000 for the year ended 31 March 2015.

Basic and diluted earnings per share increased by 6 pence for the year ended 31 March 2016 and by 27 pence for the year ended 31 March 2015.

Accounting standard changes

No new standards, amendments to standards or interpretations became effective for the year ended 31 March 2016.

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

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from contracts with customers*
- IFRS 16 *Leases*
- IAS 1 *Presentation of Financial Statements (amendment)*
- IAS 7 *Statement of Cash Flows (amendment)*
- IAS 12 *Income Taxes (amendment)*
- IAS 16 *Property, Plant and Equipment (amendment)*
- IAS 27 *Separate Financial Statements (amendment)*
- IAS 28 *Investments in Associates and Joint Ventures (amendment)*
- IAS 38 *Intangible Assets (amendment)*

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

(c) Subsidiaries

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

(d) Transactions eliminated on consolidation

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

(e) Income available for distribution

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

Notes to the Consolidated Financial Statements *(continued)*

(f) Foreign currency translation

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

	Year end		Average	
	2016	2015	2016	2015
US Dollar	1.44	1.48	1.51	1.61

(g) Derivative financial instruments

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

(h) Investment property

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

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

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

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

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

(i) Current investments

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

(j) Trade and other receivables

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

(k) Cash and cash equivalents

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

(l) Dividends

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

(m) Trade and other payables

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

(n) Net rental income

Net rental income comprises rent and service charges receivable less applicable provisions and costs associated with the properties. Rental income from investment property leased out under operating leases is recognised in the income statement on a straight-line basis over the certain term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. If a rent review is due but not yet agreed with the tenant any expected rent increase is only recognised when receipt is highly probable. 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 was incurred. Lease payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(o) Dividend income

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

(p) Taxation

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities (which,

Notes to the Consolidated Financial Statements (continued)

in the case of investment property, is assumed to be through sale), using tax rates enacted or substantively enacted at the balance sheet date.

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

(q) Segmental reporting

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

(r) Impairment

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

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

(s) Provisions

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

(t) Loans and borrowings

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

(u) Significant judgements, key assumptions and estimates

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

(i) Property valuations

The valuation of the Group's property portfolio is inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions (as set out in Note 9). Therefore the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of

difficult market or economic conditions such as those that may arise following the EU Referendum. 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 particular, the Group is discussing the treatment of interest income and expense with tax authorities. In such cases, a best estimate of the relevant tax charge or credit is made, having regard to the extent of uncertainties associated with it. Where the final outcome of such matters is different from the amounts initially recorded, those differences will be reflected in the income and deferred taxes amounts at the time of formal resolution.

(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.

	UK	USA	Eliminations	Total
<i>for the year ended 31 March 2016</i>	£000	£000	£000	£000
Rental and related income	97,079	41,118	-	138,197
Property operating expenses	(46,390)	(23,618)	-	(70,008)
Profit on disposal of property	11,352	373	-	11,725
Net valuation movements on property	75,829	42,118	-	117,947
Administrative expenses	(12,341)	(700)	-	(13,041)
Profit before finance costs	125,529	59,291	-	184,820
Fair value gains	778	-	-	778
Other financial income	171	508	(343)	336
Financial expenses	(5,255)	(7,780)	343	(12,692)
Profit before taxation	121,223	52,019	-	173,242
Income tax charge	(9,688)	(20,549)	-	(30,237)
Profit for the year	111,535	31,470	-	143,005
Capital expenditure	11,065	15,874	-	26,939
Investment property	1,522,621	486,740	-	2,009,361
Other assets	98,125	60,761	(10,174)	148,712
Total segment assets	1,620,746	547,501	(10,174)	2,158,073
Total segment liabilities	(361,923)	(326,230)	10,174	(677,979)
Capital employed	1,258,823	221,271	-	1,480,094

Notes to the Consolidated Financial Statements (continued)

	UK (Restated*)	USA (Restated*)	Eliminations	Total (Restated*)
<i>for the year ended 31 March 2015</i>	£000	£000	£000	£000
Rental and related income	92,697	36,279	-	128,976
Property operating expenses	(48,096)	(21,945)	-	(70,041)
Profit/(loss) on disposal of property	12,923	(887)	-	12,036
Net valuation movements on property	185,427	44,295	-	229,722
Administrative expenses	(11,167)	(654)	-	(11,821)
Profit before finance costs	231,784	57,088	-	288,872
Fair value gains	144	-	-	144
Other financial income	129	478	(321)	286
Financial expenses	(4,949)	(7,135)	321	(11,763)
Profit before taxation	227,108	50,431	-	277,539
Income tax charge	(37,045)	(12,934)	-	(49,979)
Profit for the year	190,063	37,497	-	227,560
Capital expenditure	39,515	3,945	-	43,460
Investment property	1,437,890	417,340	-	1,855,230
Other assets	69,516	48,863	(9,521)	108,858
Total segment assets	1,507,406	466,203	(9,521)	1,964,088
Total segment liabilities	(341,950)	(285,785)	9,521	(618,214)
Capital employed	1,165,456	180,418	-	1,345,874

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

*see Note 1(b)

3. Property Operating Expenses

	2016 £000	2015 £000
Porterage, cleaning and repairs	33,642	32,489
Insurance	4,516	4,897
Building services	19,613	19,789
Other management costs	12,237	12,866
	70,008	70,041

Of the property operating expenses shown above, an amount of £3,232,000 (2015 - £1,979,000) related to properties which generated no income during the year.

*see Note 1(b)

4. Administrative Expenses

	2016	2015
	£000	£000
Staff costs	6,827	6,606
Directors' remuneration	2,267	2,067
Audit and accountancy	854	793
Legal and other administrative expenses	3,093	2,355
	13,041	11,821

Auditor's remuneration:

During the year the Group paid KPMG LLP £31,000 (2015 - £31,000) for the audit of the Company and £395,000 (2015 - £383,000) for the audit of the Group's subsidiaries, together with £Nil (2015 - £Nil) for audit related assurance services and £75,000 (2015 - £32,000) for other services provided in the prior year.

In the UK, the staff provided by the property and administrative management companies who performed roles for the Group totalled 206 (2015 - 210). The average number of full time equivalents whose staff costs were borne by the Group during the year was 147 (2015 - 149). The aggregate staff cost of these persons is shown above and can be analysed as follows:

	2016	2015
	£000	£000
Salaries	5,542	5,333
NI contributions	538	620
Pensions	747	653
	6,827	6,606

In addition the property and administrative management companies provide, under agency arrangements, staff to perform various caretaking roles. Those costs totalling £1,071,000 (2015 - £1,060,000) are included within property operating expenses (note 3) under portorage, cleaning and repairs.

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

5. Financial Income and Expenses

	2016	2015
	£000	£000
Financial income:		
Bank interest receivable	36	64
Other financial income	300	222
	336	286
Financial expenses:		
Interest payable on bank loans	2,904	2,560
Interest payable on mortgages	9,779	9,191
Other interest payable	9	12
	12,692	11,763

Notes to the Consolidated Financial Statements *(continued)*

6. Taxation

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

	2016	2015
	(Restated*)	
	£000	£000
UK corporation tax	9,139	8,943
UK prior year items	1,134	(1,202)
	10,273	7,741
Overseas taxation	(448)	1,098
Total current tax	9,825	8,839
Deferred tax	34,234	41,140
Deferred tax - reduction in future tax rate	(13,822)	-
Total deferred tax	20,412	41,140
Total tax charge	30,237	49,979
Reconciliation of tax expense		
Profit before taxation	173,242	277,539
Corporation tax at the standard UK rate of 20% (2015 - 21%)	34,648	58,283
Reduction in future tax rate	(13,822)	-
Prior year items	1,134	(1,202)
Higher tax rate on overseas operations	10,145	2,404
Indexation and non-taxable items	(1,143)	(10,237)
Other	(725)	731
Total tax charge	30,237	49,979

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 18 November 2015. In the Budget on 16 March 2016, the Chancellor announced additional planned reductions to 17%. This will reduce the company's future current tax charge accordingly. The deferred tax balances at 31 March 2016 have been calculated based on the rate of 18% substantively enacted at the balance sheet date.

The Group's effective tax rate for the current year was 17.5% (2015: 18.0%). The current year charge benefited from the reduction in the future tax rate to 18% enacted during the year, which reduced deferred tax liabilities. This reduction was largely offset, as shown in note 2, by a greater proportion of total profits arising in the USA, where tax rates are higher than in the UK. In addition the indexation allowance obtained on our UK properties has reduced as the prior year benefitted from a catch up of the indexation allowance as valuation increases meant we could claim this allowance on more properties.

7. Earnings per Share

Earnings per share is calculated on the earnings, after taxation and non-controlling interests, of £142,900,000 (2015 - £227,395,000 restated*) and the weighted average shares in issue during the year of 16,295,357 (2015 - 16,295,357).

8. Dividends

	2016 £000	2015 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2014, paid 14 November 2014 @ 47p per share	-	7,659
Interim dividend for the year ended 31 March 2015, paid 6 March 2015 @ 35p per share	-	5,703
Final dividend for the year ended 31 March 2015, paid 13 November 2015 @ 53p per share	8,637	-
Interim dividend for the year ended 31 March 2016, paid 4 March 2016 @ 35p per share	5,703	-
	14,340	13,362

The Board has recommended a final dividend for the year ended 31 March 2016 of £9,451,000, representing 58p per share. This dividend has not been included as a liability in these financial statements.

9. Investment Property

	Freehold £000	Long leasehold £000	Short leasehold £000	Total 2016 £000	Total 2015 £000
Balance at 1 April	1,510,380	321,580	23,270	1,855,230	1,546,718
Disposals	(2,163)	(1,519)	-	(3,682)	(4,736)
New acquisitions	10,380	-	-	10,380	35,023
Additions to existing properties	15,976	583	-	16,559	8,437
Revaluation (recognised in profit)	92,868	23,118	1,961	117,947	229,722
Foreign exchange movements (recognised in other comprehensive income)	11,143	1,784	-	12,927	40,066
Balance at 31 March	1,638,584	345,546	25,231	2,009,361	1,855,230

External, independent professional valuations of all the Group's UK investment properties were carried out by Colliers International Property Advisers UK LLP, RICS Registered Valuers at 31 March 2016. The aggregate amount of £1,532.8 million is based on open market values, assessed in accordance with the RICS Valuation - Professional Standards (2014). The Group's USA investment properties were also independently professionally valued at 31 March 2016 by Joseph J. Blake and Associates, Inc. and Metropolitan Valuation Services, Inc., both USA Certified General Real Estate Appraisers. The aggregate amount of £487.9 million is based on open market values, assessed in

*see Note 1(b)

Notes to the Consolidated Financial Statements *(continued)*

accordance with the Standards of Professional Appraisal Practice of the Appraisal Institute. All three valuers have recent experience in the location and category of the property being valued.

The aggregate professional valuations included in the above table have been reduced by an amount of £11.3 million (2015 - £7.4 million), relating to lease incentives included in Trade and other receivables.

As explained in Note 1(u)(i), property valuations are inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions. These fair value measurements are classified as Level 3 as defined by IFRS 13 *Fair Value Measurement*. There have been no transfers between the levels of fair value hierarchy during the year.

Valuation techniques and key inputs

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

Category	Valuation technique	Location and fair value at 31 March 2016 (2015)	Significant unobservable inputs at 31 March 2016	Significant unobservable inputs at 31 March 2015
UK Residential				
Residential apartments and houses	Sales valuation approach, derived from recent comparable transactions in the market, adjusted by applying discounts to reflect status of occupation and condition. The largest discounts were applied to those properties subject to registered tenancies, reflecting the relative difference in security of tenure, whilst the smallest discounts were applied to those properties subject to assured shorthold tenancies.	Greater London £591.2 million (£538.0m)	Sales values (psf): Range £307 - £1,600	Sales values (psf): Range £273 - £1,700
		UK - South £52.4 million (£51.6m)	Sales values (psf): Range £121 - £468	Sales values (psf): Range £119 - £435
		UK - North £4.8 million (£4.8m)	Sales values (psf): Range £107 - £171	Sales values (psf): Range £81 - £159
Total UK residential		£648.4 million (£594.4 million)		

Inter-relationship between inputs and fair value:

Estimated fair value would increase if the sales values increased

Category	Valuation technique	Location and fair value at 31 March 2016 (2015)	Significant unobservable inputs at 31 March 2016	Significant unobservable inputs at 31 March 2015
UK Commercial				
Office units	The income capitalisation method, requiring the application of an appropriate market based yield to net operating income. Adjustments are made to allow for voids when less than five years are left under the current tenancy and to reflect market rent at the point of lease expiry or rent review.	Greater London £298.9 million (£274.2m)	Equivalent yield: Average 4.9%; range 4.3 - 11.6% Estimated rental value (psf): Average £45.0; range £10 - £70	Equivalent yield: Average 4.9%; range 4.3 - 13.10% Estimated rental value (psf): Average £38.2; range £8 - £65
		UK - South £48.4 million (£47.2m)	Equivalent yield: Average 10.3%; range 5 - 29.3% Estimated rental value (psf): Average £10.8; range £1.9 - £30	Equivalent yield: Average 9.8%; range 5.0 - 19.8% Estimated rental value (psf): Average £9.9; range £2 - £30
		UK - North £12.0 million (£11.4m)	Equivalent yield: Average 10.9%; range 6.7 - 13.0% Estimated rental value (psf): Average £7.6; range £4 - £13	Equivalent yield: Average 11.1%; range 7.8 - 15.0% Estimated rental value (psf): Average £7.8; range £4 - £13
Retail units	The income capitalisation method, requiring the application of an appropriate market based yield to net operating income. Adjustments are made to allow for voids when less than five years are left under the current tenancy and to reflect market rent at the point of lease expiry or rent review.	Greater London £196.7 million (£194.2m)	Equivalent yield: Average 6.4%; range 1.4 - 12.5% Estimated rental value (psf): Average £29.7; range £6 - £375	Equivalent yield: Average 7.7%; range 2.4 - 13.4% Estimated rental value (psf): Average £26.1; range £5 - £375
		UK - South £140.8 million (£138.2m)	Equivalent yield: Average 7.5%; range 2.5 - 20.2% Estimated rental value (psf): Average £14.5; range £3 - £140	Equivalent yield: Average 7.7%; range 3.5 - 20.2% Estimated rental value (psf): Average £14.6; range £3 - £140
		UK - North £26.6 million (£27.1m)	Equivalent yield: Average 8.9%; range 5.5 - 14.8% Estimated rental value (psf): Average £7.6; range £2.1 - £42	Equivalent yield: Average 9.2%; range 5.2 - 13.8% Estimated rental value (psf): Average £8.3; range £2 - £24
Industrial units		All UK £36.8 million (£34.1m)	Equivalent yield: Average 8.3%; range 6.5 - 23.9% Estimated rental value (psf): Average £3.7; range £2 - £23	Equivalent yield: Average 9.3%; range 6.5 - 23.6% Estimated rental value (psf): Average £3.8; range £2 - £23

Notes to the Consolidated Financial Statements (continued)

Category	Valuation technique	Location and fair value at 31 March 2016 (2015)	Significant unobservable inputs at 31 March 2016	Significant unobservable inputs at 31 March 2015
UK Commercial (continued)				
Leisure and service units		All UK £83.3 million (£85.6m)	Equivalent yield: Average 7.5%; range 5.4 - 12.1% Estimated rental value (psf): Average £13.7; range £6 - £41	Equivalent yield: Average 7.6%; range 7.0 - 10.8% Estimated rental value (psf): Average £13.6; range £7 - £24
Land and Development		All UK £40.9 million (£38.1m)		
Total UK commercial		£884.4 million (£850.1 million)		

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

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

Category	Valuation technique	Location and fair value at 31 March 2016 (2015)	Significant unobservable inputs at 31 March 2016	Significant unobservable inputs at 31 March 2015
USA Residential				
Residential apartments	The application of a capitalisation rate, based on recent arm's length transactions, to an assessment of stabilised net income, cross-checked to recent comparative sales evidence	New York City £170.6 million (£147.6m)	Capitalisation rates: Average 3.7%; Range 2.5 - 4.5% Estimated rental value (psf): Average £9.1; range £7 - £23	Capitalisation rates: Average 4.2%; Range 3 - 5% Estimated rental value (psf): Average £8; range £7 - £22
		Florida £90.3 million (£72.4m)	Capitalisation rates: 6% throughout Estimated rental value (psf): Average £8.1; range £6.6 - £8.5	Capitalisation rates: 6.3% throughout Estimated rental value (psf): Average £7; range £6 - £8
		Other States £91.3 million (£86.8m)	Capitalisation rates: Average 5.6%; Range 5 - 6% Estimated rental value (psf): Average £10.1; range £8.6 - £13.4	Capitalisation rates: Average 5.9%; Range 5.3 - 6.5% Estimated rental value (psf): Average £10; range £9 - £12

Category	Valuation technique	Location and fair value at 31 March 2016 (2015)	Significant unobservable inputs at 31 March 2016	Significant unobservable inputs at 31 March 2015
USA Residential (continued)				
Unsold co-operative residential apartments	The application of a discount rate, based on recent arm's length transactions, to an assessment of net income over the period to full reversion, cross-checked to recent comparative sales evidence	New York City £74.5 million (£58.6m)	Discount rates: Average 9.4%; Range 6 - 12% Estimated rental value (per room): Average £3,100; range £800 - £10,500 Estimated sales value (per room): Average £68,300; range £27,800 - £222,400	Discount rates: Average 9.4%; Range 9 - 12% Estimated rental value (per room): Average £3,000; range £800 - £10,200 Estimated sales value (per room): Average £54,600; range £27,000 - £202,000
Total USA residential		£426.7 million (£365.4 million)		

Inter-relationship between inputs and fair values:

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

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

Category	Valuation technique	Location and fair value at 31 March 2016 (2015)	Significant unobservable inputs at 31 March 2016	Significant unobservable inputs at 31 March 2015
USA Commercial				
Commercial offices and retail units	The application of a capitalisation rate, based on recent arm's length transactions, to an assessment of stabilised net income	Massachusetts, Philadelphia and New Jersey £61.2 million (£52.7m)	Capitalisation rates: Average 5.3%; Range 5 - 7% Estimated rental value (psf): Average £20; range £7.7 - £23.8	Capitalisation rates: Average 5.5%; Range 5.3 - 7.3% Estimated rental value (psf): Average £18; range £5 - £21
Total USA commercial		£61.2 million (£52.7 million)		

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

There are inter-relationships between the groups of inputs as they are determined by market conditions. Movements in more than one input having the effect of increasing fair value would give

*see Note 1(b)

Notes to the Consolidated Financial Statements *(continued)*

rise to a magnifying effect on the valuation. Conversely, movements of inputs having opposite effects on fair value would have a mitigating effect on the valuation.

The present value of future minimum lease payments in relation to the leasehold investment properties is £13.5 million at 31 March 2016 (2015 - £11.9 million).

Reconciliation between the total of future minimum lease payments and their capital values

	2016			2015		
	Minimum Lease Payments	Interest	Principal	Minimum Lease Payments	Interest	Principal
	£000	£000	£000	£000	£000	£000
Due within one year	567	(520)	47	535	(491)	44
Due within two to five years	2,268	(2,061)	207	2,138	(1,944)	194
Due after more than five years	47,984	(34,770)	13,214	47,202	(35,586)	11,616
	50,819	(37,351)	13,468	49,875	(38,021)	11,854

Capital commitments, arising from contractual obligations not yet invoiced or paid, for the purchase, construction, development or enhancement of investment properties, amounted to £28.8 million at 31 March 2016 (2015 - £3.9 million).

10. Deferred Tax Assets and Liabilities

	2016			2015		
	Assets	Liabilities	Net	Assets (Restated*)	Liabilities	Net (Restated*)
	£000	£000	£000	£000	£000	£000
Investment property	-	(234,096)	(234,096)	-	(216,082)	(216,082)
Accelerated tax depreciation	-	(21,200)	(21,200)	-	(16,128)	(16,128)
Financial instruments	571	-	571	792	-	792
	571	(255,296)	(254,725)	792	(232,210)	(231,418)

The movement in deferred tax is as follows:

	Accelerated tax			Financial	
	Investment property	depreci- ation	instru- ments	Total 2016	Total 2015 (Restated*)
	£000	£000	£000	£000	£000
Balance at 1 April, as previously reported	(216,082)	(16,128)	6,947	(225,263)	(176,838)
Restatement	-	-	(6,155)	(6,155)	(4,614)
Balance at 1 April, as restated	(216,082)	(16,128)	792	(231,418)	(181,452)
Recognised in income	(15,497)	(4,694)	(221)	(20,412)	(41,140)
Foreign exchange movements	(2,517)	(378)	-	(2,895)	(8,826)
Balance at 31 March	(234,096)	(21,200)	571	(254,725)	(231,418)

*see Note 1(b)

11. Trade and Other Receivables

	2016 £000	2015 £000
Rent and service charges debtor	27,811	22,262
Rent and service charges accrued	7,895	3,756
Other debtors and prepayments	26,931	29,065
Mortgages granted repayable within one year	482	503
	63,119	55,586

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

	2016			2015		
	Gross	Impair-	Net	Gross	Impair-	Net
	£000	ment £000	£000	£000	ment £000	£000
Not past due	22,990	-	22,990	14,811	-	14,811
Past due by less than one month	7,776	(200)	7,576	6,317	(1,057)	5,260
Past due by one to three months	1,594	(172)	1,422	1,607	(437)	1,170
Past due by three to six months	2,547	(556)	1,991	2,230	(470)	1,760
Past due by more than six months	11,604	(9,877)	1,727	11,268	(8,251)	3,017
	46,511	(10,805)	35,706	36,233	(10,215)	26,018

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

	2016 £000	2015 £000
Balance at 1 April	10,215	7,380
Amounts written off	(1,011)	(1,168)
Movement in allowance for impairment	1,601	4,003
Balance at 31 March	10,805	10,215

12. Cash and Cash Equivalents

	2016 £000	2015 £000
Bank balances	49,647	49,928
Short term deposits	35,216	2,365
Cash and cash equivalents in the balance sheet and cash flow statement	84,863	52,293

Included within bank balances are tenants' deposits of £3,792,000 (2015 - £3,386,000) in the UK and £2,326,000 (2015 - £2,134,000) in the USA, which cannot be used in the ordinary course of business.

*see Note 1(b)

*Notes to the Consolidated Financial Statements (continued)**13. Share Capital*

	Number	2016 £000	2015 £000
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	16,295,357	4,074	4,074

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

14. Trade and Other Payables

	2016 £000	2015 £000
Rent and service charges charged in advance	18,749	17,691
Other creditors and accruals	34,068	24,230
Derivative financial instruments	3,170	3,958
	55,987	45,879

15. Loans and Borrowings

	2016 £000	2015 (Restated*) £000
Non-current liabilities		
Mortgages	225,688	203,722
Bank loans	80,724	82,025
	306,412	285,747
Current liabilities		
Mortgages	14,141	17,288
Bank loans	1,375	1,375
	15,516	18,663
Total loans and borrowings		
Mortgages	239,829	221,010
Bank loans	82,099	83,400
	321,928	304,410

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

*see Note 1(b)

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

	<i>Bank loans</i>	<i>2016 Mortgages</i>	<i>Total</i>	<i>2015 Total (Restated*)</i>
	£000	£000	£000	£000
Due within one year	1,375	14,141	15,516	18,663
Due within one to two years	1,375	32,629	34,004	34,934
Due within two to five years	79,349	53,122	132,471	127,081
Due after more than five years	-	139,937	139,937	123,732
	82,099	239,829	321,928	304,410

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

	<i>Fixed</i>	<i>2016 Floating</i>	<i>Total</i>	<i>Fixed</i>	<i>2015 Floating</i>	<i>Total</i>
	£000	£000	£000	<i>(Restated*)</i> £000	<i>(Restated*)</i> £000	£000
Sterling	59,074	57,099	116,173	59,914	58,400	118,314
US Dollar	205,755	-	205,755	186,096	-	186,096
	264,829	57,099	321,928	246,010	58,400	304,410

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

	<i>2016</i>	<i>2015 (Restated*)</i>
	£000	£000
Per cent.		
3.0-3.5	91,456	70,395
3.5-4.0	68,304	57,725
4.0-4.5	9,679	23,101
4.5-5.0	12,150	9,391
5.0-5.5	14,346	14,550
5.5-6.0	28,603	28,391
6.0-6.5	15,291	17,457
	239,829	221,010

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

	<i>2016</i>	<i>2015 (Restated*)</i>	<i>2016</i>	<i>2015</i>
	Per cent.	Per cent.	Years	Years
Sterling	5.97	5.97	10.2	11.9
US Dollar	3.88	4.00	7.6	6.7

*see Note 1(b)

Notes to the Consolidated Financial Statements (continued)

16. Financial Assets and Liabilities

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

	2016		2015	
	Carrying amount	Financing income/ (expense)	Carrying amount (Restated*)	Financing income/ (expense) (Restated*)
	£000	£000	£000	£000
Current asset investments	159	(10)	187	7
Current assets at fair value	159	(10)	187	7
Derivative financial instruments	(3,170)	788	(3,958)	137
Current liabilities at fair value	(3,170)	788	(3,958)	137
Fixed rate loans and borrowings	(239,829)	(8,993)	(221,010)	(9,191)
Current and non-current liabilities at amortised cost	(239,829)	(8,993)	(221,010)	(9,191)
Trade and other receivables	63,119	300	55,586	222
Cash and cash equivalents	84,863	36	52,293	64
Current assets at amortised cost	147,982	336	107,879	286
Trade and other payables	(52,817)	(9)	(41,921)	(12)
Floating rate loans and borrowings	(82,099)	(3,690)	(83,400)	(2,560)
Current and non-current liabilities at amortised cost	(134,916)	(3,699)	(125,321)	(2,572)
Total financial instruments	(229,774)	(11,578)	(242,223)	(11,333)

*see Note 1(b)

The finance income of £788,000 relating to derivative financial instruments is stated net of £84,000 expense relating to credit risk movements.

Fair values of financial instruments

The Group's financial instruments are either recorded at fair value or their fair values are not materially different from their carrying amounts except for fixed rate loans and borrowings (mortgages). These are now stated at amortised cost as shown in the table above and as explained in Notes 1(b) and 1(t). The fair value of fixed rate loans and borrowings was £260,057,000 (2015 - £239,390,000). At both the current and preceding year end there were no non-recurring fair value measurements.

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

Financial instrument risk management

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

Credit risk
Liquidity risk
Market risk

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

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

Credit risk

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

Trade receivables

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

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

Cash and derivative financial instruments

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

Maximum exposure

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

Notes to the Consolidated Financial Statements (continued)

Liquidity risk

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

The Group's policy is to seek to maintain cash balances to meet all short and medium term requirements. The Group has a low level of gearing relative to the property investment sector as a whole and has long standing relationships with many leading banks and financial institutions from which the Board expect to be able to raise further funds if required. At 31 March 2016, gearing was 14.9 per cent. (2015 - 15.5 per cent. restated*) on the basis of gross debt to gross assets. Cash and short-term deposits at 31 March 2016, were £84.9 million (2015 - £52.3 million) and £15.5 million of loans and borrowings were repayable within one year (2015 - £18.7 million restated*). In addition, at the same date, the Group had undrawn committed facilities of £48.4 million (2015 - £48.8 million), which expire between 2018 and 2021.

The maturity analysis of the undiscounted cash flows arising from the Group's financial liabilities at 31 March 2016 was as follows:

	Carrying amount £000	Aggregate undiscounted cash flows £000	2016			
			Due within one year £000	Due within 1-2 years £000	Due within 2-5 years £000	Due after more than 5 years £000
Bank loans	82,099	82,099	1,375	1,375	79,349	-
Mortgages	239,829	239,829	14,141	32,629	53,122	139,937
Interest	-	74,696	10,910	9,762	21,927	32,097
Interest rate swaps	3,170	3,424	1,298	1,298	828	-
Trade and other payables	52,817	52,817	52,817	-	-	-
	377,915	452,865	80,541	45,064	155,226	172,034

	Carrying amount £000 (Restated*)	Aggregate undiscounted cash flows £000	2015			
			Due within one year £000	Due within 1-2 years £000	Due within 2-5 years £000	Due after more than 5 years £000
Bank loans	83,400	83,400	1,375	21,375	60,650	-
Mortgages	221,010	221,010	17,287	13,559	66,431	123,733
Interest	-	74,459	10,592	9,655	21,637	32,575
Interest rate swaps	3,958	4,610	1,267	1,267	2,076	-
Trade and other payables	41,921	41,921	41,921	-	-	-
	350,289	425,400	72,442	45,856	150,794	156,308

*see Note 1(b)

Market risk

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

Interest rates

The Group seeks to reduce the interest rate risk by fixing rates on a majority of its loans and borrowings, whilst maintaining some loans at floating rates in order to retain flexibility in relation to

short term interest rates. Interest rates are fixed either through the use of fixed rate mortgage finance or through interest rate swaps. The Group does not speculate in treasury products but uses these only to limit exposure to potential interest rate fluctuations. The interest rate profile of the Group's loans and borrowings is set out in Note 15.

It is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £0.6 million per annum, on the basis of the floating rate debt outstanding at 31 March 2016, after taking account of the interest swaps in place.

There also exists a risk to the income statement arising from the recognition and re-measurement of interest rate swaps at fair value. It is estimated that a general increase of one percentage point in interest rates would give rise to a reduction in fair value of interest rate swaps outstanding at 31 March 2016 of £0.7 million, together with a corresponding increase in the Group's profit before taxation.

Interest rate swaps

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

	<i>Contracted rate</i> <i>(excluding margin)</i>		<i>Notional principal</i>		<i>Fair value</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>Per cent.</i>	<i>Per cent.</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Maturing within two to five years	5.6	5.6	25,000	25,000	3,170	3,958

Foreign exchange rates

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

It is estimated that a 10 per cent depreciation of the US dollar against sterling would cause a decrease in the sterling value of the Group's USA net assets of £20.1 million.

Capital management

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

17. Related Party Transactions

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

Notes to the Consolidated Financial Statements *(continued)*

in either company. Mr R E Freshwater has a beneficial interest in a trust holding interests in shares in Highdorn Co. Limited.

In their capacity as property managing agents, Highdorn Co. Limited ("Highdorn") and Freshwater Property Management Limited ("FPM") collect rents and incur direct property expenses on behalf of the Group. At 31 March 2016, the aggregate net amounts due from the Group to Highdorn and FPM was £7.7 million (2015 - £5.9 million due from Highdorn and FPM). These amounts are not secured and are payable on demand. No guarantees have been given or received and the amounts are settled in cash.

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

	2016 £000	2015 £000
Balance due to related party managing agents at 1 April	4,087	951
Charged during the year	3,975	3,666
Paid during the year	(5,171)	(530)
Balance due to related party managing agents at 31 March	2,891	4,087

The Directors' interests in the Company and the principal shareholders are described on pages 24/25. The Board considers that the Directors are the key management personnel of the Group and their remuneration is disclosed on page 29.

18. *Contingent Liabilities*

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

19. *Operating Lease Agreements*

The Group earns rental income by leasing its investment properties to tenants under operating leases which vary in terms and provisions between type of property and type of tenure. Leases providing for contingent rents are rare within the Group's property portfolio and no amounts for contingent rents are included in rental income for the year (2015 - £Nil).

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

	2016 £000	2015 £000
Due within one year	75,480	71,932
Due within one to two years	45,112	44,778
Due within two to five years	97,011	98,554
Due after more than five years	301,211	303,841
	518,814	519,105

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

20. *Subsidiary Undertakings*

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

Incorporated in Great Britain and registered in England and Wales

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

Notes to the Consolidated Financial Statements (continued)

Inputstripe Limited
Insworth Investments Limited*
Johnsbrix Developments Limited
Kingforge Limited*
Kintsilk Investments Limited
Lawnstamp Limited
Lesbrix Developments Limited
Limebridge Co. Limited
Lookstate Limited
Lyme & Farrar Limited
Marfred Limited
Mineral and General Investments Limited
Modboon Limited*
Mont Investments Limited

Incorporated in Guernsey

Daejan Financing Limited
Three Dials Limited
Four Dials Limited

Incorporated in the Isle of Man

Temple Investments Limited

Incorporated in the USA

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

Ace 2160 Wallace LLC
Ace 2180 Wallace LLC
Ace 2181 Barnes LLC
Ace 2181 Wallace LLC
CM Bucks Landing 120 LLC
Daejan 1010 Regency LLC
Daejan 11 E Chase LLC
Daejan 3120 Court LLC
Daejan Astoria LLC
Daejan Baltimore Inc.
Daejan Crossroads LLC
Daejan Enterprises Inc
Daejan Fisherman's Landing LLC

Offerworld Limited
Pegasus Investment Company Limited
Ronend Properties Limited*
Rosebel Holdings Limited
Seaglen Investments Limited
Semlark Limited*
Simlock Limited
St. Leonards Properties Limited
Strand Palace Hotel Limited*
Summerseas Investment Co. Limited
Temple Investments Limited
Wisebourne Limited*
Workvideo Limited*

Eight Dials Limited
Nine Dials Limited
Ten Dials Limited

Incorporated in Curaçao

Daejan Holdings N.V.

Daejan Greenwich Commons LLC
Daejan Hidden Palms LLC
Daejan Inverarry LLC
Daejan Lauderhill inc.
Daejan Lycoming LLC, inc
Daejan N.Y. Ltd.
Daejan Oak Manor, Inc
Daejan Portland, inc.
Daejan U.S. Inc.*
Daejan, 77 inc.
DJN Crossroad, inc.
DJN Greenwich Inc.
DJN Raritan LLC
Ivory 1150 Concourse Corp.
Ivory 1166 G.C. Realty Corp.
Ivory 3045 Grand Concourse Corp.
Ivory 3591 Bainbridge Corp.
Ivory 3780 Bronx Blvd. Corp.
Ivory 3908 Bronx Realty Corp.
Ivory 780 Grand Corp.
Ivory 790 G.C. Corp.
New Franconia Associates***
Sevens G.C. Realty Corp.
Tampa Sunscape inc.

* Directly owned.

** 75% owned.

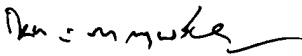
*** 70% owned.

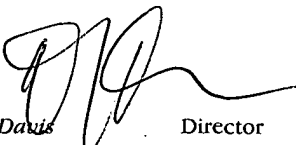
Company Balance Sheet

as at 31 March 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Investment in subsidiary undertakings	4	1,326,297	1,321,482
Deferred tax assets		571	792
		1,326,868	1,322,274
Current assets			
Debtors		860	47
Cash at bank		16,043	15,412
		16,903	15,459
Creditors: amounts falling due within one year	5	(284,216)	(260,561)
Net current liabilities		(267,313)	(245,102)
Total assets less current liabilities		1,059,555	1,077,172
Creditors: amounts falling due after more than one year	6	(63,535)	(65,127)
Net assets		996,020	1,012,045
Capital and reserves			
Called up share capital	7	4,074	4,074
Share premium account		555	555
Other reserves		893	893
Profit and loss account		990,498	1,006,523
Equity shareholders' funds		996,020	1,012,045

The financial statements of Daejan Holdings PLC (Company number 305105) on pages 71 to 78 were approved by the Board of Directors on 21 July 2016 and were signed on its behalf by:


B.S.E. Freshwater Director


D. Davis Director

Company Statement of Changes in Equity

<i>for the year to 31 March 2016</i>	<i>Issued share capital £000</i>	<i>Share premium account £000</i>	<i>Other reserves £000</i>	<i>Retained earnings £000</i>	<i>Equity shareholders' funds £000</i>
Balance at 1 April 2014	4,074	555	893	1,023,483	1,029,005
Loss for the year	–	–	–	(3,598)	(3,598)
Dividends to equity shareholders	–	–	–	(13,362)	(13,362)
Balance at 1 April 2015	4,074	555	893	1,006,523	1,012,045
Loss for the year	–	–	–	(1,685)	(1,685)
Dividends to equity shareholders	–	–	–	(14,340)	(14,340)
Balance at 31 March 2016	4,074	555	893	990,498	996,020

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 Company has changed its accounting basis from the previously extant UK Generally Accepted Accounting Practice ("Old UK GAAP") to Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") for all periods presented. In the transition to FRS 102 from Old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Company is provided in Note 9. The Company has adopted the following disclosure exemptions permitted by FRS 102 1.12 (b), (c) and (e): The requirement to present a statement of cash flows; the requirement to disclose the terms and conditions of long term debt; and the requirement to disclose key management personnel compensation in total.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented. The Company's loss for the year after taxation is £1,685,000 (2015 - £3,598,000).

(b) Investments in subsidiary undertakings

Investments in subsidiary undertakings comprise shares in, and loans to, those undertakings and are stated at cost less any provision for impairment.

(c) Financial instruments

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

Basic financial instruments

(i) Trade and other creditors

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

(ii) Loans and borrowings

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

Derivative financial instruments

The Company 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,

Notes to the Company Financial Statements *(continued)*

they are accounted for as trading instruments. Derivative financial instruments are initially recognised, and subsequently recorded, at fair value. The fair value of interest rate swaps is the estimated amount that the Company 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.

(d) Deferred tax

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expenses are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

(e) 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 pages 29 and 30 of the Group accounts. The parent company audit fee is disclosed on page 53 of the Group accounts.

3. Dividends

	2016 £000	2015 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2014, paid 14 November 2014 @ 47p per share	–	7,659
Interim dividend for the year ended 31 March 2015, paid 6 March 2015 @ 35p per share	–	5,703
Final dividend for the year ended 31 March 2015, paid 13 November 2015 @ 53p per share	8,637	–
Interim dividend for the year ended 31 March 2016, paid 4 March 2016 @ 35p per share	5,703	–
	14,340	13,362

The Board has recommended a final dividend for the year ended 31 March 2016 of £9,451,000, representing 58p per share. This dividend has not been included as a liability in these financial statements.

4. *Investments in Subsidiary Undertakings*

	<i>Shares at cost £000</i>	<i>Loans £000</i>	<i>Total £000</i>
At 1 April 2015	991,933	329,549	1,321,482
Loans	–	4,815	4,815
At 31 March 2016	991,933	334,364	1,326,297

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

	<i>2016 £000</i>	<i>2015 £000</i>
Bank loans and overdrafts	1,592	1,580
Amounts owed to subsidiary undertakings	268,515	249,871
Other creditors and accruals	10,939	5,152
Derivative financial instruments	3,170	3,958
	284,216	260,561

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

	<i>2016 £000</i>	<i>2015 £000</i>
Secured bank loans	63,535	65,127

7. *Share Capital*

	<i>Number</i>	<i>2016 £000</i>	<i>2015 £000</i>
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	16,295,357	4,074	4,074

8. *Profit and Loss Reserve*

Some years ago, the Company sold its shareholdings in certain subsidiary undertakings to intermediate holding companies. As a result of that transaction, the parent company transferred £645.1 million of revaluation gains relating to these investments to the profit and loss reserve. As the transfer of these revaluation gains arose as a result of a sale of assets within the Group, it is unlikely that the Company will seek to treat the profit and loss reserve thus arising as distributable.

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

Notes to the Company Financial Statements (continued)

9. Explanation of transition to FRS 102 from old UK GAAP

As stated in Note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.



THE FORT GROUP

COMPLIANCE FORM – Corporate services where FMSL do not provide Directors

To be completed by the Directors of the Company in respect of a company where Fort Management Services Limited ("FMSL") only provides corporate services such as administration, resident agent, company secretary or nominee shareholders.

Company Name: Nine Dials Limited

Period: 1 July 2015 to 31 December 2015

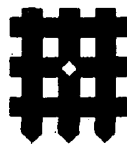
Date of Issue: 12 January 2016

NB: Information within this form is to be provided in respect of any changes that have occurred during the above period (i.e. since the last Compliance Form was submitted). Please ensure that this form is submitted within 60 days of issue. Failure to do so may result in discontinuation of FMSL's services. Should you have any queries please contact us immediately

DUE DILIGENCE		
1.	Has there been any change in the Beneficial Owner(s) behind the Company? (Definition of Beneficial Owner – The natural person who ultimately owns or controls the relationship)	Yes / No
	If yes, please request a copy of FMSL's Client Profile Form and provide CDD for new Principals as follows: *certified copy of passport (see attached certification requirements) *address verification *a professional reference and bank reference **Please note that we may ask for additional information in due course.	
2.	Is the new Beneficial Owner(s) a high profile or politically exposed person(s)?	Yes / No / N/A
	If yes, please provide details:	
3.	Has there been any change in the Directors, Secretary or Shareholders ("Company Officers")?	Yes / No
	If yes, please request a copy of FMSL's Schedule of Changes to Directors, Officers and Shareholders and provide CDD for new Company Officers as follows: *certified copy of passport (see attached certification requirements) *address verification *a professional reference and bank reference **Please note that we may ask for additional information in due course.	
4.	Is the new Company Officer(s) a high profile or politically exposed person(s)?	Yes / No / N/A
	If yes, please provide details:	

Reconciliation of equity

	<i>1 April 2014 Effect of transition to</i>			<i>31 March 2015 Effect of transition to</i>		
	<i>UK GAAP</i>	<i>FRS 102</i>	<i>FRS 102</i>	<i>UK GAAP</i>	<i>FRS 102</i>	<i>FRS 102</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed assets						
Investment in subsidiary undertakings	1,395,788	(78,187)	1,317,601	1,639,864	(318,382)	1,321,482
Deferred tax asset	-	819	819	-	792	792
Total fixed assets	1,395,788	(77,368)	1,318,420	1,639,864	(317,590)	1,322,274
Current assets						
Debtors	206	-	206	47	-	47
Cash at bank	18,990	-	18,990	15,412	-	15,412
Total current assets	19,196	-	19,196	15,459	-	15,459
Creditors: amounts due within one year	(237,809)	(4,095)	(241,904)	(256,603)	(3,958)	(260,561)
Net current liabilities	(218,613)	(4,095)	(222,708)	(241,144)	(3,958)	(245,102)
Creditors: amounts due after one year	(66,707)	-	(66,707)	(65,127)	-	(65,127)
Net assets/(liabilities)	1,110,468	(81,463)	1,029,005	1,333,593	(321,548)	1,012,045
Capital and reserves						
Called up share capital	4,074	-	4,074	4,074	-	4,074
Share premium account	555	-	555	555	-	555
Revaluation reserve	78,187	(78,187)	-	318,382	(318,382)	-
Other reserves	893	-	893	893	-	893
Profit and loss account	1,026,759	(3,276)	1,023,483	1,009,689	(3,166)	1,006,523
Equity shareholders' funds	1,110,468	(81,463)	1,029,005	1,333,593	(321,548)	1,012,045



THE FORT GROUP

5.	Has any Beneficial Owner or Company Officer changed their residential address?	Yes / No
	If yes, please provide address verification by way of an original utility or rates bill, a bank statement, or an electoral roll extract.	Attach
ACTIVITIES		
6.	Please confirm the activities of the Company:	
7.	Please confirm the countries in which the company carries out its activities <i>(Please be as specific as possible. i.e. do not simply state Africa or Europe):</i>	
8.	Have there been any changes in the business activities of the company or changes to the jurisdiction in which the business operates?	Yes / No / Yes
	If yes, please provide details:	
9.	Please confirm that details of all receipts and payments made during the year are recorded, have been verified and turnover has been monitored and is within anticipated parameters for the period under review.	Confirmed: Yes Yes
	If no, please provide details:	
10.	Have any receipts over £100k been introduced from the shareholders or third parties? If yes these must be advised to FMSL together with relevant Source of Funds information (Declaration of Source of Funds).	Yes / No
	If yes, please provide details:	
STATUTORY RECORDS		
11.	Have any Directors or Shareholders' meetings taken place during the year?	Yes Yes
	If so, please provide copies of the minutes and relevant attachments. The last minutes we have on file are dated: 25/11/2015	Attach
12.	Please confirm that, where applicable, all required statutory filings have been completed and submitted and provide copies: <i>((If FMSL are providing Registered Agent services this will not apply))</i>	Yes Confirmed and attached
13.	Have any Directors delegated their authority and issued any Powers of Attorney?	Yes / No
	If yes, please provide a copy of the Power of Attorney.	Attach
FINANCIAL RECORDS		
14.	Please provide a copy of the last Financial Statements that have been approved and signed during the period. The last Financial Statements we hold on file are dated: 31/3/2015 If Financial Statements are not available please advise as to when they will be provided to FMSL:	Attached / Yes

Notes to the Company Financial Statements (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

- (i) Investment in subsidiary undertakings
Previously investments in subsidiary undertakings were stated at fair value. Under FRS 102 these investments are now stated at original cost.
- (ii) Derivative financial instruments
Under FRS 102, as we have not adopted hedge accounting for these instruments, they are required to be separately recognised at their market value at period end, with movements in these values being recognised in the profit and loss account.
- (iii) Deferred tax
Under FRS 102 deferred tax is now recognised on these separately accounted for financial instruments.



THE FORT GROUP

15.	Please confirm that all relevant tax filings are up to date e.g. Local tax return, UK Non Residents Return etc.	Confirmed / Not
16.	Does the Company have a GIIN (Global Intermediary Identification Number) for US FATCA purposes?	Yes /No
	If yes, please provide details including GIIN	

Outstanding Points and update from last Compliance Form submitted:

Please provide any further comments which you believe may be relevant to the provision of FMSL's services.

Declaration:

- There have been no activities undertaken by the Company other than those which have been recorded and reflected in the Financial Statements and minutes that have been provided to you.
- The Company has not been involved in any legal proceedings or received any complaints which it anticipates may result in legal proceedings against it.
- The Beneficial Owner(s) and Company Officer(s) of the Company have no connection with Politically Exposed Persons or High Profile Persons other than as declared in question 2 and 4 of this form or on previous forms.
- The Company has complied with [Alderney/Guernsey (delete as applicable)] Company Law and AML/CFT legislation.
- FMSL will be provided with any documentation pertaining to the company upon request or on that of any regulatory authority.

Signed for and on behalf of:

[Company Name]

Director:

Print Name:

Director:

Print Name:

B.S.E. FRESHWATER

Date:

Date:

To be in signed in accordance with the signing authority of the Company

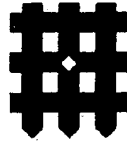
Checklist of Enclosures (if applicable):**Attached:**

1.	CDD Documentation in respect of:	Yes/No
2.	Client Profile Form	Yes/No
3.	Schedule of Changes to Directors, Officers and Shareholders	Yes/No
4.	Declaration of Source of Funds	Yes/No

Group Five-Year Record

	2012 (Restated*)	2013 (Restated*)	2014 (Restated*)	2015 (Restated*)	2016
	£000	£000	£000	£000	£000
Total rental and related income	107,094	111,037	112,202	128,976	138,197
Property operating expenses	(68,036)	(67,017)	(68,789)	(70,041)	(70,008)
Net rental and related income	39,058	44,020	43,413	58,935	68,189
Profit on disposal of investment properties	16,254	6,612	11,320	12,036	11,725
Net valuation gains on investment properties	15,683	82,694	122,050	229,722	117,947
Administrative expenses	(11,135)	(10,936)	(10,550)	(11,821)	(13,041)
Net operating profit before financing costs	59,860	122,390	166,233	288,872	184,820
Net financing expense	(13,294)	(10,671)	(8,063)	(11,333)	(11,578)
Profit before taxation	46,566	111,719	158,170	277,539	173,242
Income tax	(12,532)	(21,792)	(12,231)	(49,979)	(30,237)
Profit for the year	34,034	89,927	145,939	227,560	143,005
Earnings per share	£2.08	£5.51	£8.95	£13.95	£8.77
Total assets	1,357,841	1,515,932	1,655,552	1,964,088	2,158,073
Equity shareholders' funds	915,221	996,893	1,117,533	1,345,874	1,480,094
Equity shareholders' funds per share	£56.16	£61.18	£68.58	£82.59	£90.82

* See Note 1(b)



THE FORT GROUP

-5.	Copies of Board and/or Shareholder minutes	Yes/No
6	Copies of statutory filings where applicable	Yes/No
7.	Copies of special resolutions, e.g. AGM waiver	Yes/No
8.	Copies of Powers of Attorney issued	Yes/No
9.	Copy of the last set of Financial Statements	Yes/No

Directors and Advisers

Directors

B S E Freshwater
(Chairman and Managing Director)
D Davis (non-executive)
S I Freshwater
A M Freshwater (non-executive)
R E Freshwater (non-executive)

Secretary

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

Registered & Head Office

Freshwater House,
158-162 Shaftesbury Avenue,
London WC2H 8HR
Registered in England
No. 305105

Registrars

Equiniti
Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA

Auditor

KPMG LLP
15 Canada Square,
London E14 5GL

Consulting Accountants

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

Principal Bankers

Lloyds Banking Group plc
Barclays Bank PLC
The Royal Bank of Scotland Group plc

Stockbrokers

N+1 Singer
1 Bartholomew Lane,
London EC2N 2AX

Notice of Meeting

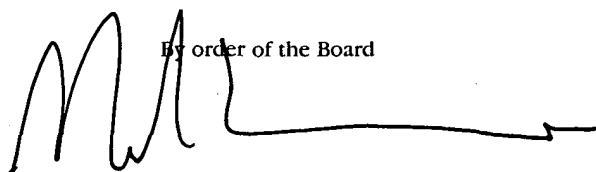
Notice is hereby given that the Eighty First Annual General Meeting of Daejan Holdings PLC will be held at The Grand Saloon, Theatre Royal, Drury Lane, Catherine Street, London WC2B 5JF, on Tuesday 13th September at 2.00 p.m. for the following purposes:

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 2016 together with the Reports of the Directors and the Auditors. (Resolution 1)
2. To approve the Remuneration Report for the year ended 31 March 2016. (Resolution 2)
3. To declare a final dividend. (Resolution 3)
4. To re-elect B S E Freshwater as a Director. (Resolution 4)
5. To re-elect S I Freshwater as a Director. (Resolution 5)
6. To re-elect D Davis as a Director. (Resolution 6)
7. To re-elect R E Freshwater as a Director. (Resolution 7)
8. To re-elect A M Freshwater as a Director. (Resolution 8)
9. To appoint KPMG LLP as Auditor, and to authorise the Directors to agree its remuneration. (Resolution 9)

By order of the Board



M R M Jenner
Secretary

21 July 2016

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting and at any adjournment of it. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. If a proxy appointment is submitted without indicating how the proxy should vote on any resolution, the proxy will exercise his/her discretion as to whether and, if so, how he/she votes.
2. A proxy need not be a member of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's Registrar, Equiniti Limited, on 0371 384 2203 (international callers: +44 121 415 7047). Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday. Members may also appoint a proxy through the CREST electronic proxy appointment service as described in note 13 below.
3. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 2.00 p.m. on 11 September 2016, together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a duly certified copy of that power or authority.
4. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in note 13(a) below) will not prevent a member attending the meeting and voting in person if he/she wishes to do so.
5. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to

exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1, 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
8. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6.30 p.m. on 11 September 2016 (or, in the event of any adjournment, 6.30 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (i) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information or (ii) the answer has already been given on a website in the form of an answer to a question or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. As at the date of issue of this notice the Company's issued share capital consists of 16,295,357 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at the date of issue of this notice are 16,295,357.
13. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting by using the procedures described in the CREST Manual which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following:
 - (a) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
 - (b) CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
 - (c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares.
15. A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.daejanholdings.com.
16. You may not use any fax number, email address or other electronic address provided in this document or on the proxy form to communicate with the Company for any purpose other than expressly stated.