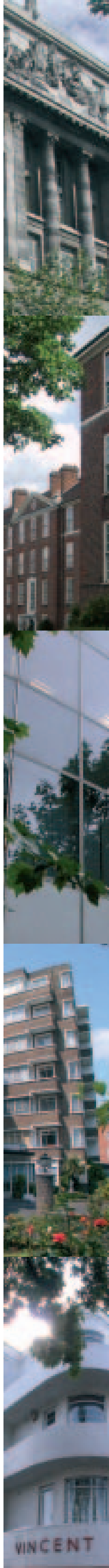



# Daejan Holdings PLC

*Report & Financial Statements 2007*

# *Summary of Results*

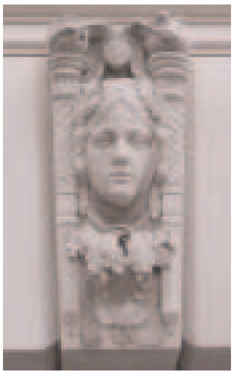
| | *Year ended 31 March* | |
|---|---|---|
| | **2007** | 2006 |
| | **£000** | £000 |
| Profit before Taxation | **198,316** | 162,659 |
| Profit after Taxation | **141,829** | 113,112 |
| Earnings per Share | **868.6p** | 690.1p |
| Dividends per Share | **70.0p** | 65.0p |
| Equity Shareholders' Funds per Share | **£52.88** | £45.74 |

Final Dividend of 45p per share payable on 2 November 2007 to shareholders on the register on 5 October 2007.

# *Contents*



# *Chairman's Statement*



It gives me great pleasure to present the Report and Accounts for the year ended 31 March 2007, a year which has seen a very satisfactory continuation in the growth of our Group with Profit before Tax increasing to £198.3 million *(2006 – £162.7 million).*

These accounts are prepared on the IFRS basis following our adoption of this system in 2006. As I mentioned in my report last year, by including valuation gains in our Income Statement the IFRS approach has the potential to inject volatility into our reported profits, with every percentage point change in annual revaluation producing a swing of some £12 million in Profit before Tax. It is important to remember that our Consolidated Income Statement includes Net Valuation Gains of £156.5 million *(2006 – £132.3 million)* which arise mainly from fluctuations in market values rather than as a direct result of our operating activities.

This year has also seen healthy growth in our profits before net valuation gains to £41.8 million *(2006 – £30.4 million).* As can be seen from the Consolidated Statement of Cash Flows, the Net Cash from Operating Activities has reduced to £14.6 million *(2006 – £17.1 million)* although this increases to £34.2 million *(2006 – £29.3 million)* when the proceeds from sales of property are included. We must never lose sight of the fact that it is net rental income and realised gains which generate the cash with which we run the business and pay dividends to shareholders. In our day to day efforts we continue to focus on the core business of generating value from our portfolio of investment properties. This requires a steady, long term approach and it is pleasing to be able to report on another year of good progress in both profit and the Group's net worth.

The revaluation of our Investment Properties at 31 March 2007 produced an overall uplift of £153.9 million *(2006 – £131.0 million);* this is equivalent to 14% *(2006 – 14%).*

The table below shows an analysis of the revalued portfolio, by type of property.

| | Valuation March 2007 | Percentage Change |
|---|---|---|
| Commercial Property | | |
| UK | £653.5m | +15.8% |
| USA | £32.7m | -4.4% |
| Residential Property | | |
| UK | £405.5m | +15.9% |
| USA | £142.2m | -6.7% |
| Total | £1,233.9m | +14% |

***Above:***
*An architectural detail at Kensington Church Street London W8*

***Right:***
*Langlands House Harlow Essex*


***Left:***
*Sainsbury's*
*Watford*
*Hertfordshire*

The apparent fall in value of the Group's US properties is entirely due to the current weakness of the US dollar against sterling. In dollar terms the US commercial and residential properties increased by 7.9% and 5.6% respectively. Notwithstanding short term currency movements, we remain committed to the gradual long term expansion of our US portfolio.

Dealing now with the results for the year, our Gross Rental Income at £73.9 million is somewhat down on last year's figure of £77.5 million. However, as mentioned in my statement last year, the 2006 rental income received a non-recurring boost from the settlement of a long outstanding rent review; the comparison has been further distorted by the current weakness of the US dollar. These factors mask underlying year on year rental growth in both the UK and US of 3% and 5% respectively.

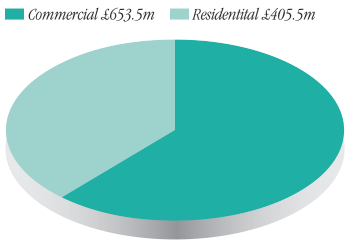
This year has seen expenditure on repairs at £19.5 million which is some £3.0 million down on last year's total. Whilst there has been a modest reduction in the UK of £1.1 million, the greater part of the reduction is attributable to the US which has reverted to a more normal level of spend following completion of the abnormal hurricane damage repairs in 2006.

***Left:***
*Oslo Court*
*Regents Park*
*London NW8*

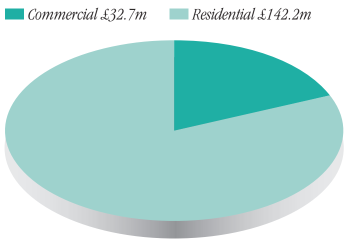
# *Chairman's Statement* *(continued)*

Analysis by Property Type

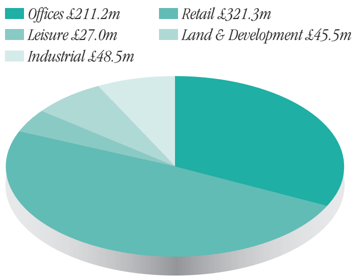
### *Property UK*



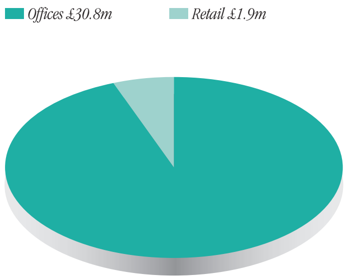

### *Property USA*




### *Commercial Property UK*

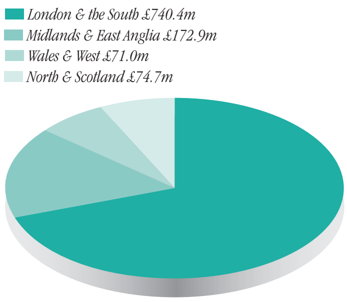



### *Commercial Property USA*

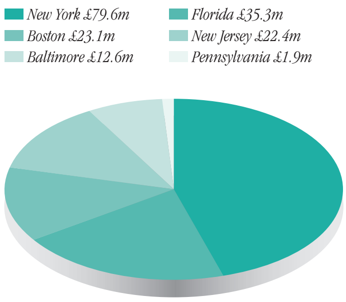



Analysis by Location

### *UK Valuations*




### *USA Valuations*




In the UK letting activity ran at our usual level of just over 1,000 new lettings and renewals during the year and vacancy rates remained broadly constant.

The Group continues to benefit from a strong balance sheet, with shareholders funds increasing to £861.7 million *(2006 – £745.3 million)*. This is equivalent to £52.88 *(2006 – £45.74)* per share, an increase of 15.6% in the year *(2006 – 17.5%)*.

It has long been the Board's policy prudently to increase dividend payments in line with the continued progress of the Group. The Board therefore has pleasure in recommending an increase in the total dividend for the year from 65p to 70p; equivalent to 7.7% *(2006 – 6.6%)*.

This year has seen unprecedented movement in the Group's share price. Following a review by FTSE International Limited in December 2006, our shares have, for the first time, been included in a number of their indices including the FTSE 250 and the All Share Index. This produced

***Far left:***
*Grove Hall Court*
*St John's Wood*
*London NW8*

***Left:***
*Cadogan Square*
*Glasgow*

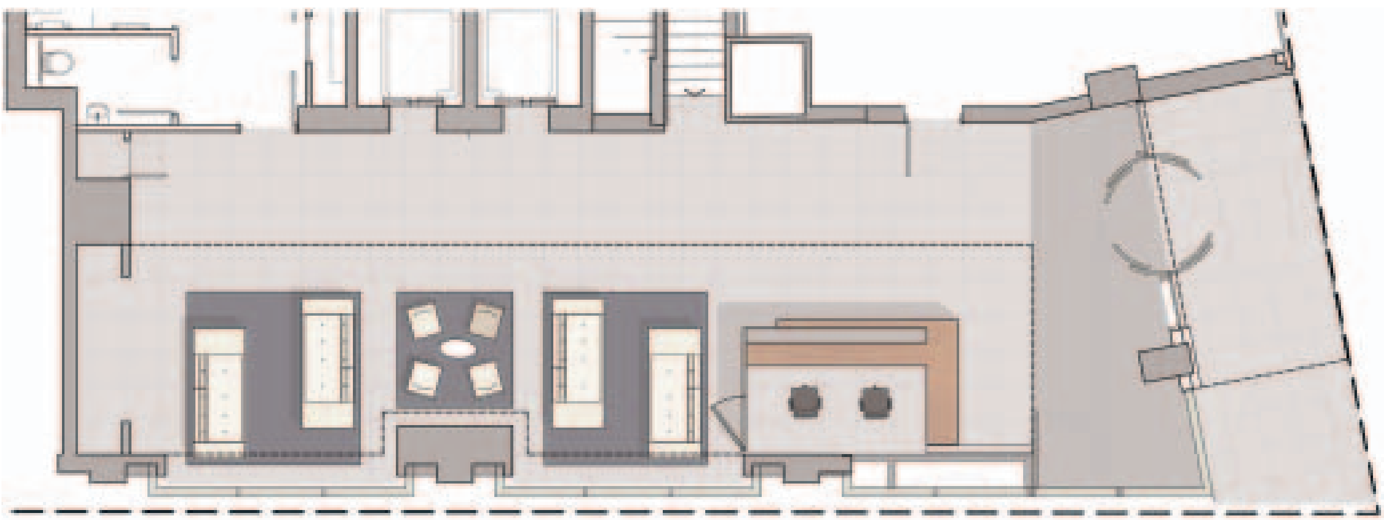
***Below:***
*Marsh Wall*
*Isle of Dogs*
*London E14*


***Far left:***
*Park West*
*Marble Arch,*
*London W2*

***Left:***
*Witley Court*
*London WC1*

# *Chairman's Statement* (continued)


*The pictures on these pages illustrate the refurbishment of 164 Shaftesbury Avenue London WC2*
***Right:*** *an artist's impression of the new reception area and* ***below:*** *the reception area floorplan*



an immediate and significant upward movement in our share price as various tracker funds which follow these indices sought to acquire shares to achieve the correct weighting. By 31 March 2007 this initial surge of activity seemed to have passed with the share price back to previously prevailing levels. Since the 31 March the shares have suffered from the downward pressure which has afflicted the property sector as a whole. Both the upward and the downward movements have been quite detached from the underlying reality of your company's steady long term growth.

As I anticipated last year, our further consideration of the Real Estate Investment Trust (REITS) structure has confirmed that the Group is unable to take advantage of the legislation as presently drafted.


***Left:*** *the new entrance to 164 Shaftesbury Avenue and* ***below left:*** *the original design*

So far as general market conditions are concerned, it is possible that we may see a change in market sentiment with an upward movement in yields and a corresponding downward pressure on capital values. The recent increases in interest rates and their possible impact on economic activity over the coming year reinforce this concern. On the positive side this may bring forward better priced purchase opportunities than we have seen in recent years. With gearing at 8.8% *(2006 – 12.7%)* and undrawn facilities of £152 million *(2006 – £144 million)* we are well placed to take advantage of any such opportunities.

We continue to concentrate on identifying opportunities to enhance rental and capital values within our existing portfolio. In practice development projects tend to take a considerable time to bring to fruition and as always we temper enterprise with

# *Chairman's Statement* *(continued)*

prudence in pursuing such projects. During the year, the projects we have been actively progressing included the following:

- 164, Shaftesbury Avenue, London WC2: this major refurbishment will create 29,000 sq feet of prime office space and is due to complete by the end of the year.
- 25–29, Worship Street: this development close to Broadgate in the City of London will create 22,000 sq feet of modern office space; work commenced on site in June 2007.
- Africa House: a planning application is being submitted for a major refurbishment of this office block in central London which will create 115,000 sq feet of high quality space. This project is likely to span a number of years.

I remain constant in my belief that our well tried business approach means that we are well placed to continue to deliver the long term steady progress that has come to characterise the Group.

As ever my thanks must go to our dedicated and hard working staff for helping to deliver another successful year.

B S E FRESHWATER
*Chairman*

***Right:***
*The Strand Palace Hotel*
*Strand*
*London WC2*

***Far right:***
*Dudley Court and Clarendon Court*
*Finchley Road*
*London NW11*


# *Directors' Report*

The Directors have pleasure in presenting their Report together with the Financial Statements for the year to 31 March 2007.

## *Principal Activities of the Group*

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

## *Properties*

A professional valuation of all the Group's properties was carried out at 31 March 2007. The resultant figures are included in the Financial Statements now presented and the increase of £153.9 million over previous book values has been included in the Income Statement. The Group's UK properties were valued by Colliers CRE, Chartered Surveyors and produced a revaluation surplus of £144 million.

The Group's USA properties were valued by KTR Newmark, Meredith & Green, Joseph J. Blake and Associates Inc. and Metropolitan Valuation Services Inc. All the USA firms are General Certified appraisers. The revaluation surplus arising on the USA properties was $19.4 million.

## *Business Review*

The Group's Business Review and future developments are included in the Chairman's Statement set out on pages 2 to 8 which are included in this report by reference.

## *Results & Dividend*

The profit for the financial year amounted to £141.8 million *(2006 – £113.1 million)*. An Interim Dividend of 25p per share was paid on 9 March 2007 and the Directors now recommend the payment of a Final Dividend of 45p per share, making a total for the year of 70p per share, an increase of 5p over the previous year.

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

| | ***Property Income*** | | ***Profit*** | |
|---|---|---|---|---|
| | UK | USA | UK | USA |
| | £000 | £000 | £000 | £000 |
| Gross Rental and Service Charges | 72,998 | 17,178 | 34,882 | 5,486 |
| Sales of Investment Properties | 19,160 | 1,141 | 17,156 | 13 |
| Net Valuation Gains | 144,829 | 9,043 | 144,829 | 9,043 |
| | 236,987 | 27,362 | 196,867 | 14,542 |
| Financing Charges (net) | | | (569) | (4,894) |
| Administrative and Other Expenses | | | (6,192) | (1,438) |
| | | | 190,106 | 8,210 |
| | | | 8,210 | |
| Profit before Taxation | | | 198,316 | |

# *Directors' Report* *(continued)*

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

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

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

## *Payment Policy*

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

## *Directors*

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

Brief biographies of the Directors are as follows:–

Mr B S E Freshwater. Aged 59 – 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 72 – A Chartered Accountant and member of the Institute of Taxation, was previously a partner in Cohen Arnold, the Group's consulting accountants. He relinquished his partnership in 1971 in order to devote more time to his numerous business and other interests. He has been a non-executive Director of the Company since December 1971.

Mr S I Freshwater. Aged 56 – 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.

## *Directors' Interests*

Day-to-day management of the Group's properties in the United Kingdom is mainly carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies and are also interested in the share capital of Highdorn Co. Limited.

Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis are also Directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company.

Details of the amounts paid for the provision of these services are set out in note 20 to the financial statements.

## *Substantial Interests & Interests of Directors*

| Daejan Holdings PLC Ordinary Shares | | **31 March 2007** | 31 March 2006 |
|---|---|---|---|
| D Davis | (notes 2 & 3) | **763** | 763 |
| B S E Freshwater | (notes 1, 2, 3 & 4) | **590,033** | 590,033 |
| S I Freshwater | (notes 2, 3 & 4) | **89,270** | 89,270 |

Notes:

1. All the above holdings were beneficially owned. Mr B S E Freshwater's shareholding represents 3.6% of the Issued Share Capital of the Company.
2. A further 4,363,116 shares *(2006 – 4,363,116)* representing 26.8% of the Issued Share Capital of the Company were held by Freshwater family trusts and by charitable companies in which Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis have no beneficial interest.
3. In addition to the holding shown in the table and in note 2 above, companies owned and controlled by Mr B S E Freshwater, Mr S I Freshwater and by their families, and family trusts, held at 31 March 2007 a total of 7,876,431 shares *(2006 – 7,876,431)* representing 48.3% of the Issued Share Capital of the Company. Mr D Davis has a non-beneficial interest in some of these shares as a Director of the companies concerned, or as a trustee.
4. Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.
5. There have been no changes in any of the above interests since 31 March 2007 up to the date of signing this report.

Included in notes 2 and 3 are the following holdings, each amounting to 3% or more of the Company's Issued Share Capital:–

| | Shares | % |
|---|---|---|
| Henry Davies (Holborn) Limited | 1,934,090 | 11.9 |
| Trustees of the B S E Freshwater Settlement | 1,705,000 | 10.5 |
| 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 |

## *Capital Gains Tax*

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

## *Charitable Donations*

Charitable Donations made by the Group amounted to £120,000 *(2006 – £120,000)*. There were no political contributions *(2006 – £Nil)*.

## *Auditors*

The Company's auditors, KPMG Audit Plc, have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, resolutions for the reappointment of KPMG Audit Plc as auditors of the Company, and to authorise the Directors to determine their remuneration, are to be proposed at the forthcoming Annual General Meeting.

# *Directors' Report* *(continued)*

## *Statement of Disclosure of Information to Auditors*

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

By Order of the Board,
M R M Jenner
*Secretary*
3 August 2007

# *Directors' Remuneration Report*

## *Audited Information*

**Remuneration**

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

| **2007** | **Salary £** | **Fees £** | **Total £** |
|---|---|---|---|
| Mr B S E Freshwater | **620,000** | **20,000** | **640,000** |
| Mr D Davis | **–** | **20,000** | **20,000** |
| Mr S I Freshwater | **552,000** | **20,000** | **572,000** |
| | **1,172,000** | **60,000** | **1,232,000** |

| 2006 | Salary £ | Fees £ | Total £ |
|---|---|---|---|
| Mr B S E Freshwater | 575,000 | 20,000 | 595,000 |
| Mr D Davis | – | 20,000 | 20,000 |
| Mr S I Freshwater | 504,000 | 20,000 | 524,000 |
| | 1,079,000 | 60,000 | 1,139,000 |

**Pensions**

Mr B S E Freshwater participates in a Small Self-administered Pension Scheme which provides at any time after age 60 a sum of money to purchase a pension subject to Inland Revenue limits and other statutory rules. The pension scheme also provides on death in service, for all contributions made to be applied in providing benefits for Mr Freshwater's dependants. This is a defined contribution scheme to which no further contributions will be made.

## *Unaudited Information*

**Compliance**

The Board considers that the Company has complied throughout the year with the requirements of the Combined Code in relation to Directors' remuneration with the exception of the provision relating to the formation and constitution of a remuneration committee (see page 15). In determining remuneration policy, the Board has given full consideration to the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority.

**Policy**

The remuneration policy adopted by the Board is designed to ensure that the Directors' interests are allied to the long-term growth of the Group and therefore to the interests of the shareholders as a whole. The Group does not operate any form of bonus scheme or share option scheme since the Executive Directors' salaries for the year are determined by the Board once the results for the year are known with any salary increase calculated and paid with effect from the beginning of the financial year.

# *Directors' Remuneration Report* *(continued)*

**Remuneration of Non Executive Directors**

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

**Service Contracts**

No Director has a service contract.

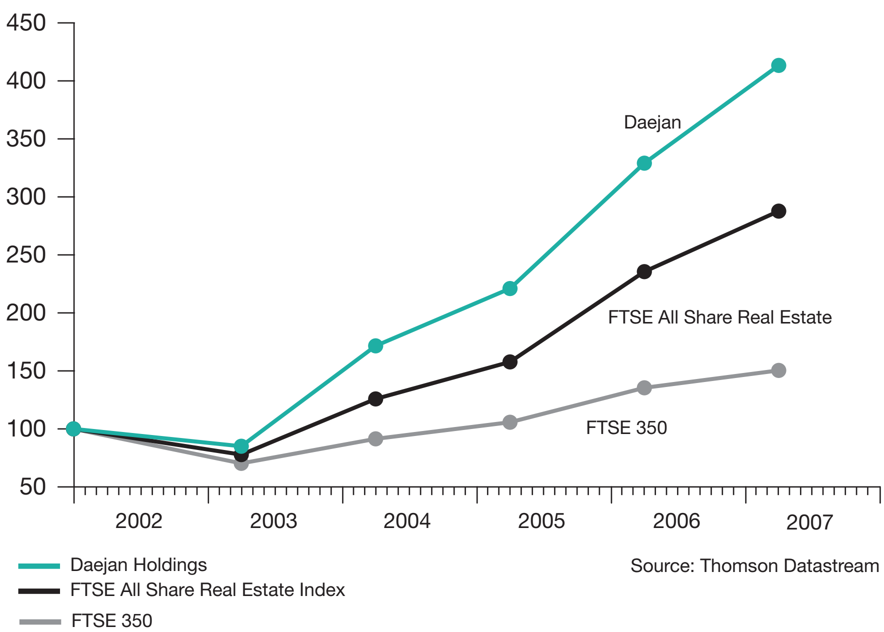
**Total Shareholder Return**

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

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

for the five financial years ended 31 March 2007 (rebased as at 1 April 2002)

**TSR Performance Graph**




Approved by the Board on 3 August 2007 and signed on its behalf by
M R M Jenner
Company Secretary

## *Corporate Governance*

The Board is required by the Financial Services Authority to report on the extent of its application of the principles and of its compliance with the provisions contained in the revised Combined Code issued by the Financial Reporting Council in July 2003.

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

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

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

## *The Board*

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

The Board meets regularly throughout the year on both a formal and informal basis. Comprehensive management information covering all aspects of the Company's business is supplied to the Board in a timely manner and in a form and quality to enable it to discharge its duties. The Board's principal focus, in accordance with the formal schedule of matters referred to it for decision, is on the formation of strategy and the monitoring and control of operations and financial performance. All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with. The Board has agreed a procedure for Directors in the furtherance of their duties to take independent professional advice if necessary, at the Company's expense.

The Board consult on a regular basis with the Group's external auditors and are charged with ensuring that their objectivity and independence is safeguarded.

The entire Board is responsible for the selection and approval of candidates for appointment to the Board. All Directors retire by rotation and submit themselves to shareholders at Annual General Meetings at regular intervals and at least every three years. The Board acknowledge that in view of his length of service the non-executive Director is not technically independent. The non-executive Director will stand for re-election on an annual basis in order to comply with the revised Combined Code.

# Corporate Governance *(continued)*

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

## Directors and Directors' Independence

The Board currently comprises the Chairman, one non-executive Director and one executive Director. The names of the Directors together with their biographical details are set out on page 10. All the Directors served throughout the period under review.

## Directors' Remuneration

Details of the Directors' remuneration are contained in the Remuneration Report on page 13.

## Internal Controls

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

The revised Combined Code introduced a requirement that the Directors review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including: financial, operational, compliance, and risk management.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant business risks faced by the Group, that this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is reviewed by the Board at regular intervals and accords with the Turnbull guidance.

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

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

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

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

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

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

## Investor Relations

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

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

## Financial Reporting

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

## Compliance Statement

The Board consider the Company has complied throughout the year ended 31 March 2007 with the provisions of the revised Code with the exception of the following paragraphs:

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

## Going Concern

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

# *Directors' Responsibilities*

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, and applicable law (UK generally accepted accounting practice).

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

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company and of the profit or loss of the parent company 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 IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

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

# *Independent Auditors' Report*

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

We have audited the group and parent company financial statements (the ''financial statements'') of Daejan Holdings Plc for the year ended 31 March 2007 which comprise the primary statements such as the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 18.

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

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

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

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

# *Independent Auditors' Report* *(continued)*

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

## *Basis of audit opinion*

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

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

## *Opinion*

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 March 2007 and of its profit for the year then ended;

- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;

- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2007;

- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

***KPMG Audit Plc***
Chartered Accountants
Registered Auditor
London

3 August 2007

# *Consolidated Income Statement*

| *for the year ended 31 March 2007* | *Notes* | **Year ended 31 March 2007 £000** | Year ended 31 March 2006 £000 |
|---|---|---|---|
| Gross Rental Income | | **73,884** | 77,526 |
| Service Charge Income | | **16,292** | 18,163 |
| **Total Rental and Related Income from Investment Properties** | | **90,176** | 95,689 |
| Property Operating Expenses | *3* | **(49,808)** | (52,980) |
| **Net Rental and Related Income from Investment Properties** | | **40,368** | 42,709 |
| **Profit on Disposal of Investment Properties** | | **17,169** | 6,173 |
| Valuation Gains on Investment Properties | | **155,304** | 149,728 |
| Valuation Losses on Investment Properties | | **(1,432)** | (18,752) |
| **Net Valuation Gains on Investment Properties** | | **153,872** | 130,976 |
| **Administrative Expenses** | *4* | **(7,630)** | (9,091) |
| **Net Operating Profit before Net Financing Costs** | | **203,779** | 170,767 |
| Fair Value Gains on Financial Instruments | | **2,553** | 1,298 |
| Fair Value Gains/(Losses) on Current Investments | | **25** | (10) |
| Other Financial Income | | **1,669** | 2,119 |
| Financial Expenses | | **(9,710)** | (11,515) |
| **Net Financing Costs** | *5* | **(5,463)** | (8,108) |
| Share of Post Tax Profit of Equity Accounted Associates | *9* | **–** | – |
| **Profit Before Taxation** | | **198,316** | 162,659 |
| **Income Tax Expense** | *6* | **(56,487)** | (49,547) |
| **Profit for the Year** | | **141,829** | 113,112 |
| **Attributable to:–** | | | |
| Equity Holders of the Parent | | **141,536** | 112,460 |
| Minority Interest | | **293** | 652 |
| **Profit for the Year** | | **141,829** | 113,112 |
| **Basic and Diluted Earnings per Share** | *7* | **868.6p** | 690.1p |

The notes on pages 25 to 41 form part of these Financial Statements.

# *Consolidated Statement of Recognised Income and Expense*

| *for the year ended 31 March 2007* | **Year ended 31 March 2007 £000** | Year ended 31 March 2006 £000 |
|---|---|---|
| Foreign Exchange translation differences | **(14,505)** | 8,307 |
| Income & Expense Recognised Directly in Equity | **(14,505)** | 8,307 |
| Profit for the Year | **141,829** | 113,112 |
| Total Recognised Income & Expense for the Year | **127,324** | 121,419 |
| Attributable to:- | | |
| Equity Holders of the Parent | **127,031** | 120,767 |
| Minority Interest | **293** | 652 |
| Total Recognised Income & Expense for the Year | **127,324** | 121,419 |

The notes on pages 25 to 41 form part of these Financial Statements.

# Consolidated Balance Sheet

| *as at 31 March 2007* | *Notes* | **31 March 2007 £000** | 31 March 2006 £000 |
|---|---|---|---|
| **Assets** | | | |
| Investment Properties | *8* | **1,233,885** | 1,101,048 |
| Investment in Associate | *9* | **–** | – |
| Deferred Tax Assets | *10* | **1,842** | 2,608 |
| Other Investments | | **617** | 617 |
| Total Non-Current Assets | | **1,236,344** | 1,104,273 |
| Trade and Other Receivables | *11* | **33,924** | 32,043 |
| Investments | *12* | **226** | 160 |
| Cash at Bank | *13* | **31,926** | 37,300 |
| Total Current Assets | | **66,076** | 69,503 |
| **Total Assets** | | **1,302,420** | 1,173,776 |
| **Equity** | | | |
| Issued Capital | *14* | **4,074** | 4,074 |
| Share Premium | *14* | **555** | 555 |
| Retained Earnings | *14* | **857,098** | 740,659 |
| Total Equity Attributable to Equity Holders of the Parent | | **861,727** | 745,288 |
| Minority Interest | | **135** | 330 |
| **Total Equity** | | **861,862** | 745,618 |
| **Liabilities** | | | |
| Interest Bearing Loans and Borrowings | *16* | **111,940** | 140,212 |
| Deferred Tax Liabilities | *10* | **264,686** | 219,045 |
| Total Non-Current Liabilities | | **376,626** | 359,257 |
| Bank Overdrafts | *13* | **30** | 15 |
| Interest Bearing Loans and Borrowings | *16* | **3,188** | 8,448 |
| Trade and Other Payables | *15* | **37,729** | 42,209 |
| Taxation | | **22,985** | 18,229 |
| Total Current Liabilities | | **63,932** | 68,901 |
| **Total Liabilities** | | **440,558** | 428,158 |
| **Total Equity and Liabilities** | | **1,302,420** | 1,173,776 |

The Financial Statements on pages 21 to 41 were approved by the Board of Directors on 3 August 2007 and were signed on its behalf by:–

B.S.E Freshwater Director
D. Davis Director

The notes on pages 25 to 41 form part of these Financial Statements.

# *Consolidated Statement of Cash Flows*

| *for the year ended 31 March 2007* | £000 | **Year ended 31 March 2007 £000** | £000 | Year ended 31 March 2006 £000 |
|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | |
| Cash Receipts – Rent and Charges | **88,308** | | 90,284 | |
| Cash Paid to Suppliers and Employees | **(59,592)** | | (59,785) | |
| Cash Generated from Operations | **28,716** | | 30,499 | |
| Interest Received | **1,673** | | 2,119 | |
| Interest Paid | **(9,858)** | | (11,543) | |
| Drawings by Minority Interest in US partnership | **(488)** | | (528) | |
| UK Corporation Tax Paid | **(4,765)** | | (3,352) | |
| Overseas Tax Paid | **(655)** | | (83) | |
| Net Cash from Operating Activities (Note 18) | | **14,623** | | 17,112 |
| Cash Flows from Investing Activities | | | | |
| Acquisition of Investment Properties | **(3,488)** | | (6,806) | |
| Proceeds from Sale of Investment Properties | **19,558** | | 12,165 | |
| Net cash from Investing Activities | | **16,070** | | 5,359 |
| **Cash Flows from Financing Activities** | | | | |
| Repayment of Secured Loans | **(48,377)** | | (24,782) | |
| New Secured Loans | **20,000** | | – | |
| Repayment of Mortgage Advances | **(1,186)** | | (1,321) | |
| New Mortgage Advances | **5,906** | | 4,728 | |
| Dividends Paid | **(10,592)** | | (9,940) | |
| Net Cash from Financing Activities | | **(34,249)** | | (31,315) |
| Net Decrease in Cash and Cash Equivalents | | **(3,556)** | | (8,844) |
| Cash and Cash Equivalents Brought Forward | | **37,285** | | 44,825 |
| Effect of Exchange Rate Fluctuations on Cash Held | | **(1,833)** | | 1,304 |
| **Cash and Cash Equivalents (Note 13)** | | **31,896** | | 37,285 |

The notes on pages 25 to 41 form part of these Financial Statements.

# *Notes to the Consolidated Financial Statements*

## 1. *Significant accounting policies*

Daejan Holdings PLC is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the ''Group'') and the Group's interest in associates.

The consolidated financial statements were authorised for issuance on 3 August 2007.

### (a) Statement of compliance

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

The Company has elected to prepare its parent Company Financial Statements in accordance with UK GAAP and these are presented on pages 42 to 45.

### (b) Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, investment properties, other non-current investments and current asset investments.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Standards which have been issued and adopted in the year, have had no material impact on the financial statements.

Additional standards have been issued but were not effective during the year and are not expected to have any material effect on the results of the Group

These consolidated financial statements have been prepared on the basis of IFRSs in issue that are effective at the Group's annual reporting date, 31 March 2007.

The accounting policies have been applied consistently throughout the Group for purposes of these consolidated financial statements.

### (c) Subsidiaries

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

### (d) Associates

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

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

### (e) 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.

### (f) Income available for distribution

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

### (g) 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 difference arising on retranslation are recognised directly in a separate component of equity.

### (h) Derivative financial instruments

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

### (i) Investment property

IFRS defines Investment properties as those which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. External, independent valuation firms having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the portfolio annually at the Company's year end. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Group's investment properties were valued as set out in note 8 on page 33.

The valuations are prepared either by considering the aggregate of the net annual rent receivable from the properties using a yield which reflects the risks inherent in the net cash flow which is then applied to the net annual rents to arrive at the property valuation, or on a sales comparison basis. Any gains or losses arising from a change in fair value are recognised in the Income Statement.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property, which is measured based on the fair value model.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

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

### (j) Other non-current investments

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

### (k) Investment in equity securities

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

### (l) Other receivables

Trade and other receivables are stated at their cost less impairment losses.

### (m) Cash and cash equivalents

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

### (n) Dividends

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

### (o) Trade and other payables

Trade and other payables are stated at their cost.

### (p) Net rental income

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

# Notes to the Consolidated Financial Statements (continued)

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

### (q) Dividend income

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

### (r) Taxation

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. The deferred tax liability relates to potential capital gains on the sale of investment properties.

The Group has no intention of making material disposals of its property assets in the foreseeable future and as such no allowance has been made for the effect of indexation.

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

### (s) Segment reporting

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

### (t) Impairment

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

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

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

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

(i) Calculation of recoverable amount

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

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

(ii) Reversal of impairment

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

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

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

## (u) Provisions

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

## (v) Interest bearing loans and borrowings

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

## (w) Principal accounting estimates and judgements

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

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

## 2. *Segmental Analysis*

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

| | | | **2007** | | | 2006 |
|---|---|---|---|---|---|---|
| | **UK** | **USA** | **Total** | UK | USA | Total |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Total rental and related income | **72,998** | **17,178** | **90,176** | 77,114 | 18,575 | 95,689 |
| Profit on disposal of investment properties | **17,156** | **13** | **17,169** | 4,884 | 1,289 | 6,173 |
| Property Income | **90,154** | **17,191** | **107,345** | 81,998 | 19,864 | 101,862 |
| Profit before financing charges | **190,675** | **13,104** | **203,779** | 154,248 | 16,519 | 170,767 |
| Financing Charges | **(569)** | **(4,894)** | **(5,463)** | (5,908) | (2,200) | (8,108) |
| Profit before taxation | **190,106** | **8,210** | **198,316** | 148,340 | 14,319 | 162,659 |
| Total Assets | **1,101,795** | **200,625** | **1,302,420** | 962,194 | 211,582 | 1,173,776 |
| Total Liabilities | **318,798** | **121,760** | **440,558** | 304,755 | 123,403 | 428,158 |
| Capital Expenditure | **1,856** | **1,632** | **3,488** | 1,597 | 5,209 | 6,806 |

## 3. *Property Operating Expenses*

| | **2007** | 2006 |
|---|---|---|
| | **£000** | £000 |
| Porterage, Cleaning and Repairs | **25,928** | 28,944 |
| Insurance | **3,552** | 3,745 |
| Building Services | **10,879** | 11,057 |
| Other Management Costs | **9,449** | 9,234 |
| | **49,808** | 52,980 |

## *4. Administrative Expenses*

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Salaries | **4,542** | 4,387 |
| Directors' Remuneration | **1,260** | 1,079 |
| Audit and Accountancy | **648** | 551 |
| Legal and Other Administrative Expenses | **1,180** | 3,074 |
| | **7,630** | 9,091 |

Auditors' Remuneration

During the year the Group paid KPMG Audit plc £20,000 *(2006 – £20,000)* for the audit of the Company and £244,000 *(2006 – £232,000)* for the audit of the Group's subsidiaries.

A further £48,000 *(2006 – £162,000)* was paid to KPMG LLP for Taxation Services and nil for all other services *(2006 – £141,000)*.

The Group jointly employed an average of 140 persons during the year *(2006 – 145)*. The aggregate payroll costs were:–

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Wages | **3,804** | 3,662 |
| NI Contributions | **323** | 305 |
| Pensions | **415** | 420 |
| | **4,542** | 4,387 |

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

## *5. Net Financing Costs*

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Fair Value Gains on Derivative Financial Instruments | **2,553** | 1,298 |
| Fair Value Gains/(Losses) on Current Investments | **25** | (10) |
| Interest Receivable | **1,669** | 2,119 |
| Financial Income | **4,247** | 3,407 |
| Interest Payable on Loans Repayable within 5 years | **(1,358)** | (1,738) |
| Interest Payable on Loans Repayable after 5 years | **(8,352)** | (9,777) |
| Financial Expenses | **(9,710)** | (11,515) |
| | **(5,463)** | (8,108) |

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

## 6. *Taxation*

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

| | ***2007*** | *2006* |
|---|---|---|
| | **£000** | £000 |
| UK Corporation Tax at 30% *(2006 – 30%)* | **13,490** | 10,484 |
| Overseas Taxation | **496** | 462 |
| | **13,986** | 10,946 |
| Prior Years Adjustments | **(2,522)** | 79 |
| Deferred Tax | **45,023** | 38,522 |
| | **56,487** | 49,547 |

***Reconciliation of Tax Expense***

| | | |
|---|---|---|
| Profit before Taxation | **198,316** | 162,659 |
| Corporation Tax at the Standard Rate of 30% *(2006 – 30%)* | **59,495** | 48,798 |
| Expenses Disallowed | **290** | 825 |
| Adjustments in Respect of Previous Period – UK | **(2,522)** | 79 |
| Reduced Tax on Overseas Profits Not Subject to UK Corporation Tax | **–** | (343) |
| Other movements | **(776)** | 188 |
| | **56,487** | 49,547 |

The Group has a wholly owned subsidiary undertaking J2C PLC, an associate Arch Holdings Limited and an investment in Triteam Limited. They have realised tax losses of £52 million *(2006 – £52 million)*.

On 27 June 2007 Parliament substantially enacted the 2007 Finance Act containing a change in the rate of UK Corporation Tax from 30% to 28% effective 1 April 2008. In future periods the new rate will be applied to the Group's deferred tax liabilities and assets, including those held at the balance sheet date. The net impact on the Group's deferred tax position at 31 March 2007 will be to decrease the net deferred tax liability by £17,523,000.

The directors are not aware on any other factors which will affect future tax charges.

## 7. *Earnings per Share*

Earnings per share is calculated on the earnings, after taxation and minority interests, of £141,536,000 *(2006 – £112,460,000)* and the weighted average shares in issue during the year of 16,295,357 *(2006 – 16,295,357)*.

## 8. *Investment Properties*

| | *Freehold* | *Long Leasehold* | *Short Leasehold* | ***Total 2007*** | *Total 2006* |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | **£000** | £000 |
| Professional Valuation at 1 April 2006 | 876,485 | 209,348 | 15,215 | **1,101,048** | 955,157 |
| Disposals | (1,812) | (803) | – | **(2,615)** | (5,994) |
| New Acquisitions | 834 | 407 | 23 | **1,264** | 1,597 |
| Additions to existing properties | 2,140 | 84 | – | **2,224** | 5,209 |
| Revaluation | 110,328 | 43,463 | 81 | **153,872** | 130,976 |
| Foreign Exchange Movements | (18,142) | (3,766) | – | **(21,908)** | 14,103 |
| Professional Valuation at 31 March 2007 | 969,833 | 248,733 | 15,319 | **1,233,885** | 1,101,048 |

Professional valuations of all the Group's United Kingdom investment properties were carried out at 31 March 2007 by Colliers CRE, Chartered Surveyors. The revalued figures of £1,061,144,000 are based on open market values in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual.

The Group's USA investment properties were also professionally valued at 31 March 2007 by KTR Newmark, Meredith & Grew, Joseph J Blake and Associates, Inc. and Metropolitan Valuation Services Inc., USA General Certified Appraisers. The revalued figures of £172,741,000 are based on open market values.

## 9. *Investment in Associate*

Daejan Holdings PLC owns 74.9% *(2006 – 74.9%)* of the ordinary share capital of Arch Holdings Limited, incorporated in the UK, a holding company which owns 100% of the ordinary share capital of Arch (2004) Limited. The Company's shareholding provides 50% of the voting rights in Arch Holdings Limited and hence in Arch (2004) Limited.

Arch (2004) Limited's principal activity was underwriting, which it ceased on 31 December 2001. The company is fully indemnified by its former parent for all liabilities in excess of the company's assets and the former parent is also liable for all ongoing operating expenses of the company.

Due to this arrangement Daejan Holdings PLC has no obligation to fund any losses of Arch (2004) Limited or any excess of its liabilities over assets.

Daejan Holding PLC's interest in the net assets revenues and profits of Arch (Holdings) Limited amounted to £nil *(2006 – £nil)*.

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

## *10. Deferred Tax Assets and Liabilities*

| | **Assets** | **Liabilities** | **2007 Net** | Assets | Liabilities | 2006 Net |
|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Investment Property | **–** | **(257,676)** | **(257,676)** | – | (212,167) | (212,167) |
| Accelerated Capital Allowances | **–** | **(7,010)** | **(7,010)** | – | (6,878) | (6,878) |
| Financial Instruments | **1,842** | **–** | **1,842** | 2,608 | – | 2,608 |
| | **1,842** | **(264,686)** | **(262,844)** | 2,608 | (219,045) | (216,437) |

Movement in Deferred Tax:-

| | Investment Property | Accelerated Capital Allowances | Financial Instruments | **Total 2007** | Total 2006 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | **£000** | £000 |
| Balance 1 April 2006 | (212,167) | (6,878) | 2,608 | **(216,437)** | (177,915) |
| Recognised in Income | (45,509) | (132) | (766) | **(46,407)** | (38,522) |
| Balance 31 March 2007 | (257,676) | (7,010) | 1,842 | **(262,844)** | (216,437) |

## *11. Trade and Other Receivables*

| | **2007** | 2006 |
|---|---|---|
| | **£000** | £000 |
| Rent and Service Charges | **15,264** | 14,046 |
| Other Debtors and Prepayments | **12,692** | 12,083 |
| Mortgages granted repayable within one year | **1,047** | 2,105 |
| Escrow Account | **4,921** | 3,809 |
| | **33,924** | 32,043 |

## *12. Investments held as Current Assets*

| | **2007** | 2006 |
|---|---|---|
| | **£000** | £000 |
| Listed Securities | **226** | 160 |

## *13. Cash and Cash Equivalents*

| | ***2007*** | *2006* |
|---|---|---|
| | **£000** | £000 |
| Bank Balances | **12,804** | 27,793 |
| Call Deposits | **19,122** | 9,507 |
| Cash at Bank | **31,926** | 37,300 |
| Bank Overdrafts | **(30)** | (15) |
| | **31,896** | 37,285 |

Included within Bank Balances are tenants' deposits of £1,067,000 *(2006 – £933,000)* which cannot be used in the ordinary course of business.

## *14. Capital and Reserves*

| | | ***2007*** | *2006* |
|---|---|---|---|
| | Number | **£000** | £000 |
| Share Capital | | | |
| Authorised: | | | |
| Ordinary Shares of 25 pence per share | **18,722,596** | **4,681** | 4,681 |
| Allotted, Called Up and Fully Paid: | | | |
| Ordinary Shares of 25 pence per share | **16,295,357** | **4,074** | 4,074 |

| | Share Capital £000 | Share Premium £000 | Retained Earnings £000 | Total £000 | Minority Interest £000 | Total Equity £000 |
|---|---|---|---|---|---|---|
| Balance at 1 April 2005 | 4,074 | 555 | 629,832 | 634,461 | 206 | 634,667 |
| Total Recognised Income and Expense | – | – | 120,767 | 120,767 | 652 | 121,419 |
| Dividends to Shareholders | – | – | (9,940) | (9,940) | (528) | (10,468) |
| Balance at 31 March 2006 | 4,074 | 555 | 740,659 | 745,288 | 330 | 745,618 |
| Balance at 1 April 2006 | 4,074 | 555 | 740,659 | 745,288 | 330 | 745,618 |
| Total Recognised Income and Expense | – | – | 127,031 | 127,031 | 293 | 127,324 |
| Dividends to Shareholders | – | – | (10,592) | (10,592) | (488) | (11,080) |
| Balance at 31 March 2007 | 4,074 | 555 | 857,098 | 861,727 | 135 | 861,862 |

Included within retained earnings is a translation reserve of (£16,384,000) *(2006 – (£1,879,000))*.

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

## *15. Trade and Other Payables*

| | ***2007*** | *2006* |
|---|---|---|
| | **£000** | £000 |
| Rent and Service Charges charged in advance | **13,477** | 14,127 |
| Other Creditors and Accruals | **18,113** | 19,422 |
| Financial Instruments | **6,139** | 8,660 |
| | **37,729** | 42,209 |

## *16. Interest Bearing Loans and Borrowings*

**Non-current Liabilities**

| | ***2007*** | *2006* |
|---|---|---|
| | **£000** | £000 |
| Mortgage Advances | **79,690** | 86,907 |
| Secured Bank Loans | **32,250** | 53,305 |
| | **111,940** | 140,212 |

Analysis of creditors falling due after more than one year:-

| | | ***2007*** | *2006* |
|---|---|---|---|
| | Interest Rate % | **£000** | £000 |
| **Amounts Repayable between April 2012 and August 2037** | | | |
| Instalment Mortgages | 4.50-7.64 | **66,713** | 78,688 |
| Secured Bank Loans | 5.23-8.55 | **32,250** | 49,306 |
| | | **98,963** | 127,994 |
| **Amounts Repayable Between 1 April 2009 and 31 March 2012** | | | |
| Instalment Mortgages | 4.375-9.25 | **11,071** | 4,586 |
| Secured Bank Loans | 5.23-8.55 | **–** | 3,000 |
| | | **11,071** | 7,586 |
| **Amounts Repayable Between 1 April 2008 and 31 March 2009** | | | |
| Instalment Mortgages | 4.50-5.89 | **1,906** | 3,632 |
| Secured Bank Loans | 5.23-8.55 | **–** | 1,000 |
| | | **1,906** | 4,632 |
| Total Amount of Long Term Loans | | **111,940** | 140,212 |
| Amount of Long Term Loans secured on certain of the Group's properties | | **111,940** | 140,212 |

**Current Liabilities**

| | *2007* | *2006* |
|---|---|---|
| | **£000** | £000 |
| Bank Loans | **–** | 7,148 |
| Mortgage Advances | **3,188** | 1,300 |
| | **3,188** | 8,448 |

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

## *17. Financial Instruments*

| **Financial Assets** | *2007* | *2006* |
|---|---|---|
| | **£000** | £000 |
| Cash – Sterling denominated | **20,656** | 21,450 |
| Cash – USA dollar denominated | **11,270** | 15,850 |
| | **31,926** | 37,300 |

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

The Group has trade and other receivables of £13,400,000 *(2006 – £8,386,000)* and trade and other payables of £7,012,000 *(2006 – £7,873,000)* denominated in USA dollars. Current asset investments are denominated in Sterling.

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

**Financial Liabilities**

*Liquidity risk – profile*

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

| | *2007* | *2006* |
|---|---|---|
| | **£000** | £000 |
| Within one year or less or on demand | **3,218** | 8,463 |
| Between one and two years | **1,906** | 4,632 |
| Between two and five years | **11,071** | 7,586 |
| After five years | **98,963** | 127,994 |
| | **115,158** | 148,675 |

The Group has undrawn borrowing facilities of £85 million *(2006 – £115 million)* expiring within one year and £67 million *(2006 – £29 million)* expiring after five years.

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

*Interest rate risk – profile*

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

| | ***2007*** | *2006* |
|---|---|---|
| | **£000** | £000 |
| Floating rate liabilities – Sterling denominated | **7,280** | 18,265 |
| Floating rate liabilities – USA dollar denominated | **–** | 7,149 |
| Fixed rate liabilities – Sterling denominated | **33,650** | 45,005 |
| Fixed rate liabilities – USA dollar denominated | **74,228** | 78,256 |
| | **115,158** | 148,675 |

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

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

*Foreign exchange risk*

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

*Credit risk*

Management monitors credit risk on an ongoing basis. Credit evaluations are performed and security deposits taken from new residential and commercial tenants. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including financial instruments in the balance sheet.

*Hedge profile – type and maturity of protection*

The Group has a number of fixed rate mortgages.

The weighted average interest rate on these mortgages was 6.64% *(2006 – 6.71%)* and the weighted average period for which the borrowing is fixed at 31 March 2007 was 10 years *(2006 – 9 years)*.

The Group has £57.3 million *(2006 – £59 million)* of fixed rate swaps which mature between 2010 and 2018 and have a weighted average interest rate of 6.85%.

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

*Fair value of financial liabilities*

The table below sets out by category the book values and fair value of the Group's financial liabilities. The disclosures exclude short term trade and other receivables and payables as the carrying value is a reasonable approximation of fair value.

| | Book Value | Notional Principle | 2006 Fair Value adjustment | Fair Value |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Financial instruments held or issued to finance the Group's operations | | | | |
| *Liabilities:* | | | | |
| Floating rate debt | (25,414) | – | – | (25,414) |
| Fixed rate debt | (123,261) | – | (8,692) | (131,953) |
| Fair value adjustment | | | (8,692) | |

| | **Book Value** | **Notional Principle** | **2007 Fair Value adjustment** | **Fair Value** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Financial instruments held or issued to finance the Group's operations | | | | |
| *Liabilities:* | | | | |
| Floating rate debt | **(7,280)** | **–** | **–** | **(7,280)** |
| Fixed rate debt | **(107,878)** | **–** | **(6,139)** | **(114,017)** |
| Fair value adjustment | | | **(6,139)** | |

## 18. Net Cash from Operating Activities

| | **2007** | *2006* |
|---|---|---|
| | **£000** | £000 |
| Profit for the Year | **141,829** | 113,112 |
| Adjustments for:– | | |
| Valuation Gains on Investment Properties | **(153,872)** | (130,976) |
| Fair Value Gains | **(2,578)** | (1,288) |
| Gain on Sale of Investment Properties | **(17,169)** | (6,173) |
| Interest Income | **(1,669)** | (2,119) |
| Interest Expense | **9,710** | 11,515 |
| Income Tax Expense | **56,487** | 49,547 |
| Operating Profit Before Changes in Working Capital and Provisions | **32,738** | 33,618 |
| Increase in Debtors | **(3,347)** | (4,772) |
| (Decrease)/Increase in Creditors | **(657)** | 1,652 |
| (Increase)/Decrease in Investments held as Current Assets | **(18)** | 1 |
| Cash Generated from Operations | **28,716** | 30,499 |
| Interest Received | **1,673** | 2,119 |
| Interest Paid | **(9,858)** | (11,543) |
| Drawings by Minority Interest in USA partnership | **(488)** | (528) |
| UK Corporation Tax Paid | **(4,765)** | (3,352) |
| Overseas Tax Paid | **(655)** | (83) |
| Net Cash from Operating Activities | **14,623** | 17,112 |

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

## *19. Dividends*

| | £000 |
|---|---|
| Final dividend for the year to 31 March 2005<br>Paid 1 November 2005 @ 36p per share | **5,866** |
| Interim dividend for the year to 31 March 2006<br>Paid 10 March 2006 @ 25p per share | **4,074** |
| Final dividend for the year to 31 March 2006<br>Paid 1 November 2006 @ 40p per share | **6,518** |
| Interim dividend for the year to 31 March 2007<br>Paid 9 March 2007 @ 25p per share | **4,074** |
| Final proposed dividend for the year to 31 March 2007 @ 45p per share | **7,333** |

## *20. Related party transactions*

Day-to-day management of the Group's properties in the United Kingdom is mainly carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies and are also interested in the share capital of Highdorn Co. Limited.

Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis are also Directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company.

The net amounts paid for the provision of various management services charged by the Group's managing agents Highdorn Co. Limited and Freshwater Property Management Limited were £2.9 million *(2006 – £3.9 million)*.

At 31 March 2007 £4.4 million was due to Highdorn Co. Limited and Freshwater Property Management Ltd. *(2006 – £3.8 million)*.

The Directors interests in the Company and the principal shareholders are described on pages 10 and 11.

The Board considers that the directors are the key management personnel of the Group and their remuneration is disclosed on page 13.

## *21. Contingent liabilities*

The Group is from time to time party to legal actions arising in the ordinary course of business. The Directors are advised that there are no current actions which could have a material adverse effect on the financial position of the Group.

## 22. *Principal Subsidiary Undertakings*

Except where indicated the following are direct subsidiaries of the Company. All are wholly owned property investment companies and are included in the Consolidated Financial Statements.

*Incorporated in the UK and registered in England*

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

*Incorporated in the USA (see note 1)*

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

* Indirectly owned.
Note 1 Minority interests arise on investments in a U.S. subsidiary.

# *Company Balance Sheet*

| *as at 31 March 2007* | *Notes* | | 2007 | | 2006 |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Fixed Assets** | | | | | |
| Investment in subsidiary undertakings | *3* | | **899,660** | | 698,621 |
| **Current Assets** | | | | | |
| Debtors: Due within one year | *4* | **4,924** | | 3,812 | |
| Cash at Bank | | **3,791** | | 7,775 | |
| | | **8,715** | | 11,587 | |
| Creditors: Amounts falling due within one year | *5* | **(14,398)** | | (15,729) | |
| Net Current Liabilities | | | **(5,683)** | | (4,142) |
| Total Assets Less Current Liabilities | | | **893,977** | | 694,479 |
| Creditors: Amounts falling due after more than one year | *6* | | **(32,250)** | | (37,250) |
| **Net Assets** | | | **861,727** | | 657,229 |
| **Capital and Reserves** | | | | | |
| Called up Share Capital | *7* | | **4,074** | | 4,074 |
| Share Premium Account | *8* | | **555** | | 555 |
| Revaluation Reserve | *8* | | **607,526** | | 418,479 |
| Other Reserves | *8* | | **893** | | 893 |
| Profit and Loss Account | *8* | | **248,679** | | 233,228 |
| | | | **861,727** | | 657,229 |

The Financial Statements on pages 42 to 45 were approved by the Board of Directors on 3 August 2007 and were signed on its behalf by:–

B S E Freshwater Director
D Davis Director

The notes on pages 43 to 45 form part of these Financial Statements.

# *Notes to the Company Financial Statements*

## *1. Accounting Policies*

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

### Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments in subsidiaries, and in accordance with applicable UK accounting standards. As permitted by section 230(4) of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company has not been presented. The Company's profit for the year after taxation is £14,653,000 *(2006 – £20,242,000)*.

### Cash Flow Statement

Under FRS 1 *Cash Flow Statements* the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is consolidated within the consolidated financial statements of the Group.

### Investments in Subsidiary undertakings

The historical cost of shares in subsidiary undertakings is £17,876,000 *(2006 – £17,876,000)*.

Shares in subsidiary undertakings have been valued by the Directors at 31 March 2007 based on the net asset values of the subsidiary undertakings.

### Foreign Currencies

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

## *2. Profit on ordinary activities before taxation*

The company has no staff other than its Directors and their remuneration is set out on page 13.

## *3. Investments in subsidiary undertakings*

| | *Shares at Valuation* £000 | *Loans* £000 | ***Total*** **£000** |
|---|---|---|---|
| At 1 April 2006 | 436,261 | 262,360 | **698,621** |
| Loans | – | 11,992 | **11,992** |
| Revaluation | 193,973 | – | **193,973** |
| Effect of Foreign Exchange Differences | (4,926) | – | **(4,926)** |
| At 31 March 2007 | 625,308 | 274,352 | **899,660** |

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

## 4. Debtors: Due within one year

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Escrow account | **4,921** | 3,809 |
| Other debtors and prepayments | **3** | 3 |
| | **4,924** | 3,812 |

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

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Bank loans and overdrafts | **–** | 8,149 |
| Other creditors and accruals | **7,222** | 832 |
| Taxation | **7,176** | 6,748 |
| | **14,398** | 15,729 |

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

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Secured bank loans | **32,250** | 37,250 |

## 7. Share Capital

| | Number | 2007 £000 | 2006 £000 |
|---|---|---|---|
| Authorised: | | | |
| Ordinary Shares of 25 pence per share | 18,722,596 | **4,681** | 4,681 |
| Allotted, called up and fully paid: | | | |
| Ordinary Shares of 25 pence per share | 16,295,357 | **4,074** | 4,074 |

## *8. Reserves*

| | £000 |
|---|---|
| Share Premium Account: | |
| At 1 April 2006 and 31 March 2007 | **555** |
| Revaluation Reserve: | |
| At 1 April 2006 | **418,479** |
| Foreign exchange movements | **(4,926)** |
| Fixed asset revaluation | **193,973** |
| At 31 March 2007 | **607,526** |
| Other Non-Distributable Reserves: | |
| At 1 April 2006 and 31 March 2007 | **893** |
| Profit and Loss Account: | |
| At 1 April 2006 | **233,228** |
| Foreign Exchange Movements | **798** |
| Retained profit for the Year | **14,653** |
| At 31 March 2007 | **248,679** |

# *Five-Year Record*

| **PREPARED UNDER UK GAAP** | *2003* | *2004* |
|---|---|---|
| | £000 | £000 |
| Turnover | 84,132 | 90,007 |
| Net Rental Income | 37,723 | 37,138 |
| Surplus on Sale of Trading Properties | 6,587 | 7,002 |
| Other Income | 159 | 196 |
| Gross profit | 44,469 | 44,336 |
| Group Profit before Taxation | 30,692 | 30,442 |
| Taxation | 10,057 | 7,522 |
| Minority Interests | 51 | 1 |
| Available Surplus | 20,584 | 22,919 |
| Earnings: p. per Share | 126.3 | 140.6 |
| Dividends: p. per Share | 55.0 | 58.0 |
| Gross Assets | 704,425 | 713,782 |
| Equity Shareholders' Funds | 469,506 | 504,505 |
| Equity Shareholders' Funds: £ per Share | | |
| (based on balance sheet figures) | 28.81 | 30.96 |
| Represented by: | | |
| Share Capital | 4,074 | 4,074 |
| Reserves and Retained Profit | 465,432 | 500,431 |
| Equity Shareholders' Funds | 469,506 | 504,505 |

| **PREPARED UNDER IFRS** | *2005* | *2006* | ***2007*** |
|---|---|---|---|
| | £000 | £000 | **£000** |
| Total Rental and Related Income | 83,427 | 95,689 | **90,176** |
| Property Operating Expenses | (46,760) | (52,980) | **(49,808)** |
| Net Rental and Related Income | 36,667 | 42,709 | **40,368** |
| Profit on Disposal of Properties | 7,959 | 6,173 | **17,169** |
| Net Valuation Gains | 64,379 | 130,976 | **153,872** |
| Administrative Expenses | (7,669) | (9,091) | **(7,630)** |
| Net Operating Profit Before Financing Costs | 101,336 | 170,767 | **203,779** |
| Profit before Taxation | 96,420 | 162,659 | **198,316** |
| Income Tax Expense | (28,911) | (49,547) | **(56,487)** |
| Profit for the Year | 67,509 | 113,112 | **141,829** |
| Earnings per Share | 413.7p | 690.1p | **868.6p** |
| Total Assets | 1,030,119 | 1,173,776 | **1,302,420** |
| Equity Shareholders Funds | 634,461 | 745,288 | **861,727** |
| Equity Shareholders Funds £ per Share | 38.94 | 45.74 | **52.88** |
| Issued Share Capital | 4,074 | 4,074 | **4,074** |
| Reserves and Retained Earnings | 630,387 | 741,214 | **857,653** |
| Equity Shareholders' Funds | 634,461 | 745,288 | **861,727** |

# *Directors & Advisers*

### *Directors*

B S E Freshwater

(Chairman and Managing Director)

D Davis (non executive)

S I Freshwater

### *Secretary*

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

### *Registered & Head Office*

Freshwater House,

158-162 Shaftesbury Avenue,

London WC2H 8HR

Registered in England

No. 305105

### *Registrars*

Lloyds TSB Registrars,

The Causeway,

Worthing,

West Sussex BN99 6DA

### *Auditors*

KPMG Audit Plc,

8 Salisbury Square,

London EC4Y 8BB

### *Consulting Accountants*

Cohen Arnold

New Burlington House,

1075 Finchley Road,

London NW11 0PJ

### *Principal Bankers*

Lloyds TSB Bank Plc

Barclays Bank PLC

The Royal Bank of Scotland Group

### *Stockbrokers*

Brewin Dolphin Securities Limited,

7 Drumsheugh Gardens,

Edinburgh EH3 7QH

# *Notice of Meeting*

Notice is hereby given that the Seventy Second Annual General Meeting of Daejan Holdings PLC will be held at The Methven Room, CBI, 1st Floor, Centre Point, New Oxford Street, London WC1, on Friday 26 October 2007 at 12 noon, 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 2007 together with the Reports of the Directors and the Auditors. (Resolution 1.)

2. To approve the Remuneration Report. (Resolution 2.)

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

4. To re-elect Mr D Davis who retires in accordance with the requirements of the Combined Code. (Resolution 4.)

5. To re-elect Mr S I Freshwater who retires by rotation. (Resolution 5.)

6. To re-appoint KPMG Audit Plc as Auditors, and to authorise the Directors to agree their remuneration. (Resolution 6.)

By Order of the Board,
M R M Jenner
*Secretary*

3 August 2007

A Member entitled to attend and vote may appoint one or more proxies to attend, and on a poll, to vote instead of him. A proxy need not be a Member of the Company. Only those Members registered in the Register of Members of the Company as at 6.00 pm on 24 October 2007 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. To be valid, forms of proxy must be received by the Company's Registrars at least 48 hours before the time fixed for the Meeting.

The recommended final dividend will, if approved, be paid on 2 November 2007 to Shareholders registered at the close of business on 5 October 2007.

No Director has a service contract.



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