

Daejan Holdings PLC

Report & Financial Statements 2005



Summary of Results

	<i>Year ended 31 March</i>	
	2005	2004
	£000	£000
Profit before Taxation	31,269	30,442
Profit after Taxation	21,904	22,920
Earnings per Share	133.8p	140.6p
Dividends per Share	61.0p	58.0p
Equity Shareholders' Funds per Share (based on Balance Sheet values)	£35.12	£30.96

Final Dividend of 36p per share payable on 1 November 2005 to shareholders on the register on 7 October 2005

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Some of our Properties

Right:
Oslo Court
Regents Park
London NW8

Below:
Grove Hall Court
St John's Wood
London NW8



Above:
Sainsbury's, Watford, Hertfordshire

Right:
Cadogan Square, Glasgow





Left:
Burnham Court
London W2

Far left:
Vincent Court
Hendon
London NW4



Above:
Park West
Marble Arch
London W2



Left:
National Farmers'
Union building
Shaftesbury Avenue
London WC2

Far Left:
Somerfield
Supermarket
Oakham
Rutland

Chairman's Statement

I am pleased to present the Report and Accounts for the year ended 31 March 2005, a year which has seen good growth in net assets per share and continuation of the steady progress that has been our hallmark for many years.

The revaluation of our investment properties at £660 million represents an uplift of some 9.5%, a significantly higher rate than we have experienced in recent years (2004 - 4.4%). The table below shows how our various holdings contributed to the year's investment property valuation surplus:

	Valuation March 2005	Percentage Change
Commercial Property		
UK	£470m	+8.3%
USA	£23m	NIL
Residential Property		
UK	£121m	+4.3%
USA	£46m	+45.8%
Total	£660m	+9.5%

Within our UK commercial investment portfolio, it has been our properties in London with an uplift of 11% (2004 - 5%) that have seen the highest rate of growth in 2005.

Last year I reported on the acquisition of an apartment complex at Fort Lauderdale, Florida. As planned, we have refurbished the complex and it has been substantially re-let during the year at enhanced rentals. This has resulted in an independent professional revaluation as at 31 March 2005 of \$51.4 million, an uplift of 84%. Originally acquired for trading, this property will now be retained for the longer term and accordingly has been reclassified as an investment property. So far



Above & right:
30 Kensington
Church Street
London W8



as our USA commercial properties are concerned, whilst there has been no overall revaluation uplift, we retain confidence in their long term growth potential.

We continue to expand our investment in the USA and in March we were able to complete the acquisition of a residential property in New Jersey for \$32 million. Following this acquisition our US portfolio of investment and trading properties at 31 March 2005 stood at a combined value of \$245 million (2004 - \$170 million).

Whilst our Profit before Tax at £31.3 million represents a modest increase on last year (2004 - £30.4 million), a rise in the effective rate of taxation to 30% (2004 - 25%) results in a Profit after Tax of £21.9 million which is a reduction of some 4% on last year (2004 - £22.9 million). Rents and service charges receivable increased in both the UK and USA but whereas costs in the UK decreased slightly, thanks mainly to a reduction in repair expenditure, our US costs increased as a consequence of the refurbishment expenditure on our Fort Lauderdale property as mentioned above. The overall result was a reduction of £0.6 million in the Net Rental Income (2004 - £0.6 million reduction).

We remain committed to a substantial programme of repairs and refurbishment with £19.5 million (2004 - £21 million) being spent during the year of which £11 million (2004 - £12 million) is recoverable from lessees via service charges. During the year projects totalling a further £15 million (2004 - £17 million) were approved for works to be carried out over several accounting periods. These works are necessary both to maintain the quality of our properties and to enhance future income.

Although still not buoyant, our UK letting activity for both the commercial and residential portfolios is encouraging with a reduction in the level of vacancies. Since the year end we have concluded a long outstanding rent review for the Strand Palace Hotel and the cumulative uplift totalling £3.5 million, will be included in the accounts for the current year.



Above & far left:
Freshwater House
Shaftesbury Avenue
London WC2

Left:
Wales Square
St Faiths Lane
Norwich
Norfolk

Chairman's Statement (continued)



Above:
Grove Hall Court
London NW8

Below right:
1 & 2 Cadogan Square
Glasgow

Investment property sales at £18.7 million were significantly higher than last year (2004 - £2.7 million). This increase was attributable to the sale to Tesco of a development site at Fulham Wharf, London. As ever, our principal focus remains the enhancement of the quality of the portfolio so as to deliver sustainable rental income and capital growth for the future; with this in mind, we completed the strategic acquisition of an office block adjacent to our Head Office in Shaftesbury Avenue.

The strength of the Group and our confidence in the future enables your Board to recommend an increase in the total dividend for the year from 58p to 61p; an increase of 5%. During the year the interim dividend was increased by 3p to 25p in order to narrow the gap between the two payments. The final dividend payable in November will be 36p per share (subject to shareholder approval). Your Board will continue with its policy of increasing dividend levels prudently in line with the Group's continuing progress.

At 31 March 2005 equity shareholders' funds, as shown in the balance sheet, stood at £572 million (2004 - £505 million) an increase of 13% in the year, after allowing for the proposed final dividend. When those items not included in the balance sheet are taken into account the adjusted net assets per share* at the year end were £38.50 (2004 - £34.59) an increase of 11%.

The Group has for many years operated in a conservative manner with a carefully balanced approach to risk; this attitude has provided the foundation for the Group's enduring financial strength. Gearing continues to be low, 21% at the year end (2004 - 22%) with cash and undrawn facilities available of £138 million (2004 - £126 million). These liquid resources mean that we are well placed to take advantage of investment opportunities as they become available.

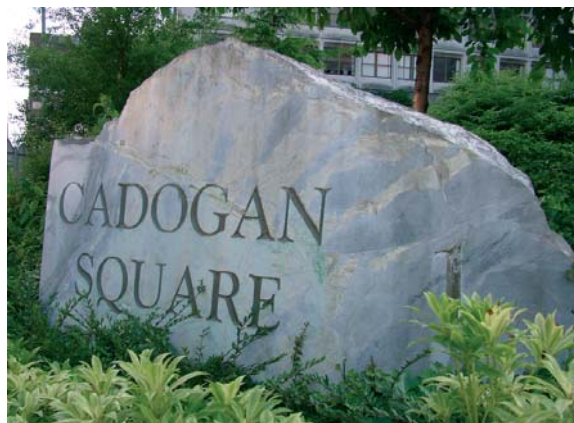
This is the last time that our accounts will be presented in this format as next year we will be required to adopt the new International Financial Reporting Standards which will significantly affect the presentation and content of the financial information disclosed. In particular, the inclusion of revaluation adjustments in the profit and loss account will produce greater volatility in our reported results. We will however endeavour to ensure clarity in our financial reporting and do whatever we can to explain to shareholders the impact of the new Standards on the Group's accounts.

The Company's Memorandum and Articles of Association have not been significantly updated for over 30 years and so we have taken the opportunity this year to bring them into line with current good practice.

It is pleasing to note that the re-rating in the market price of our shares that I referred to in last year's report has been sustained throughout the period.

Looking forward, the economic outlook is uncertain with sectors such as retail and industrial under particular pressure. Investor enthusiasm for commercial property has driven yields to their lowest levels for many years. The market is experiencing the divergent trend of an active property investment market combined with less than buoyant tenant demand. However, our traditional approach and the broad spread of our property portfolio should enable us to continue the growth in asset value.

On behalf of all shareholders, I would like to express thanks to our staff whose effort and commitment are major factors in delivering the success which we continue to enjoy.



* The basis of the calculation of adjusted net asset value is set out in the Directors' Report on Page 7.

B.S.E. FRESHWATER
Chairman

Directors' Report

The Directors have pleasure in presenting their Report together with the Financial Statements for the year to 31 March 2005.

Principal Activities of the Group

Daejan Holdings PLC is a holding company whose principal activities, carried on through its subsidiary undertakings, are property investment and trading, 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 and trading in that country.

Properties

A professional revaluation of all the Group's United Kingdom investment properties was carried out at 31 March 2005 by the Group's external valuers, Cardales, Chartered Surveyors, and a copy of their report appears on page 41. The resultant figures have been included in the Financial Statements now presented and the increase of £43.1 million over previous book values has been transferred to Revaluation Reserve. The Group's trading portfolio in the UK was professionally valued at 31 March 2002 by the Group's external valuers, Cardales, and showed a surplus over book value of £148.5 million which has not been incorporated into the Financial Statements. The Group's United States investment properties were also professionally valued at 31 March 2005 by KTR Newmark, Meredith & Grew and Joseph J. Blake and Associates, Inc. US General Certified Appraisers and the increase of £14.4 million over previous book values has been transferred to Revaluation Reserve. This revaluation surplus includes £12.4 million which arose following the reclassification as a Fixed Asset of a property previously held for trading. The Group's United States trading properties were professionally valued at 31 March 2002 and produced a surplus over cost of £26.2 million which has not been incorporated into the Financial Statements.

Net Asset Values

Equity shareholders' funds per share based on balance sheet values are £35.12 (2004 - £30.96).

Adjusted Net Asset Value per share of £38.50 (2004 - £34.59) representing equity shareholders' funds with the trading stock based on a professional valuation as at 31 March 2002 (as adjusted for sales since that date) but after full allowance is made for tax (at applicable UK and US rates) on realisation of investment and trading properties at valuation and for the deduction of the fair value adjustment after tax of £7.0 million (2004 - £8.3 million), as calculated under Financial Reporting Standard 13. The adjustment for trading properties amounted to £165.9 million (2004 - £168.5 million) while the tax adjustment in respect of the trading properties amounted to £49.7 million (2004 - £53.2 million) and the tax adjustment in respect of properties held for investment amounted to £54.0 million (2004 - £48.2 million).

Results & Dividend

The profit for the financial year amounted to £21,808,000 (2004 - £22,919,000). An Interim Dividend of 25p per share was paid on 11 March 2005 and the Directors now recommend the

Directors' Report *(continued)*

payment of a Final Dividend of 36p per share, making a total for the year of 61p per share, an increase of 3p over the previous year. The dividends will absorb £9,940,000 (2004 - £9,451,000) and will leave £11,868,000 (2004 - £13,468,000) to be added to retained profits.

A review of the activities of the Group is contained in the Chairman's Statement on pages 4 to 6.

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

	Property Income		Profit	
	UK £000	USA £000	UK £000	USA £000
Rents and Charges	69,862	13,409	33,242	3,269
Sales of Trading and Investment Properties	23,995	246	9,860	246
Other Activities	48	108	48	108
	<u>93,905</u>	<u>13,763</u>	<u>43,150</u>	<u>3,623</u>
Financing Charges (net)			(4,807)	(3,028)
Administrative and Other Expenses			(7,124)	(545)
			<u>31,219</u>	<u>50</u>
			50	
Profit before Taxation			<u>31,269</u>	

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

The Director retiring at the Annual General Meeting is Mr D Davis who having attained the age of 70 years during the year will be standing for re-election to the Board in accordance with Section 293 of the Companies Act 1985.

Brief biographies of the Directors are as follows:-

Mr B S E Freshwater. Aged 57 - 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 70 - A Chartered Accountant and member of the Institute of Taxation, was previously a partner in Cohen, Arnold & Co., 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 54 - 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 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 22 to the financial statements.

Substantial Interests & Interests of Directors

Daejan Holdings PLC		31 March	31 March
Ordinary Shares		2005	2004
D Davis	(notes 2 & 3)	763	763
B S E Freshwater	(notes 1, 2, 3 & 4)	590,033	590,033
S I Freshwater	(notes 2, 3 & 4)	89,270	89,270

Notes:

- All the above holdings were beneficially owned. Mr B S E Freshwater's shareholding represents 3.6% of the Issued Share Capital of the Company.
- A further 4,363,116 shares (2004 - 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.
- 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 2005 a total of 7,876,431 shares (2004 - 7,876,431) representing 48.3% of the Issued Share Capital of the Company. Mr D Davis has a non-beneficial interest in some of these shares as a Director of the companies concerned, or as a trustee.
- Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.
- There have been no changes in any of the above interests since 31 March 2005 up to the date of signing this report.

Directors' Report *(continued)*

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

Related Party Transaction

On 14 October 2004 as part of the wider financial planning strategy, Daejan Holdings PLC ("Daejan") and Metropolitan Properties Co. Limited ("Metropolitan") acquired, respectively, a 74.9% and 24.9% shareholding in Arch Holdings Limited. On the same date, Arch Holdings Limited acquired a 100% shareholding in Arch (2004) Limited (formerly CBS Underwriting Limited) ("CBS").

Metropolitan and its Associates own more than 10% of Daejan's Ordinary Share Capital and moreover is controlled by two of the Directors of Daejan. Metropolitan is therefore a related party of Daejan. As a result, the acquisition of the interests in Arch Holdings Limited and Arch (2004) Limited were related party transactions as defined by the rules of the United Kingdom Listing Authority.

Full details of the acquisitions are set out in note 10 on Page 32 of the Report and Accounts. Brewin Dolphin Securities, the Company's Stockbrokers, have stated that, in their opinion, the transaction to acquire the stake in CBS was fair and reasonable insofar as the shareholders of Daejan were concerned.

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 (2004 - £120,000). There were no political contributions (2004 - £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.

By Order of the Board,

M R M Jenner

Secretary

10 August 2005

Directors' Remuneration Report

Audited Information

Remuneration

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

	Salary £	Fees £	Sub-total £	Pensions £	Total £
2005					
Mr B S E Freshwater	500,000	20,000	520,000	—	520,000
Mr D Davis	—	20,000	20,000	—	20,000
Mr S I Freshwater	435,000	20,000	455,000	—	455,000
	935,000	60,000	995,000	—	995,000
	Salary £	Fees £	Sub-total £	Pensions £	Total £
2004					
Mr B S E Freshwater	430,000	20,000	450,000	49,000	499,000
Mr D Davis	—	20,000	20,000	—	20,000
Mr S I Freshwater	416,000	20,000	436,000	—	436,000
	846,000	60,000	906,000	49,000	955,000
Pension to Widow of former managing director					£77,500

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 Mr B S E Freshwater contributes 15% of gross salary per annum. The figure for pension contributions shown above is the contribution paid by the Group.

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 13). 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

Directors' Remuneration Report *(continued)*

are known with any salary increase calculated and paid with effect from the beginning of the financial year.

Remuneration of Non Executive Directors

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

Service Contracts

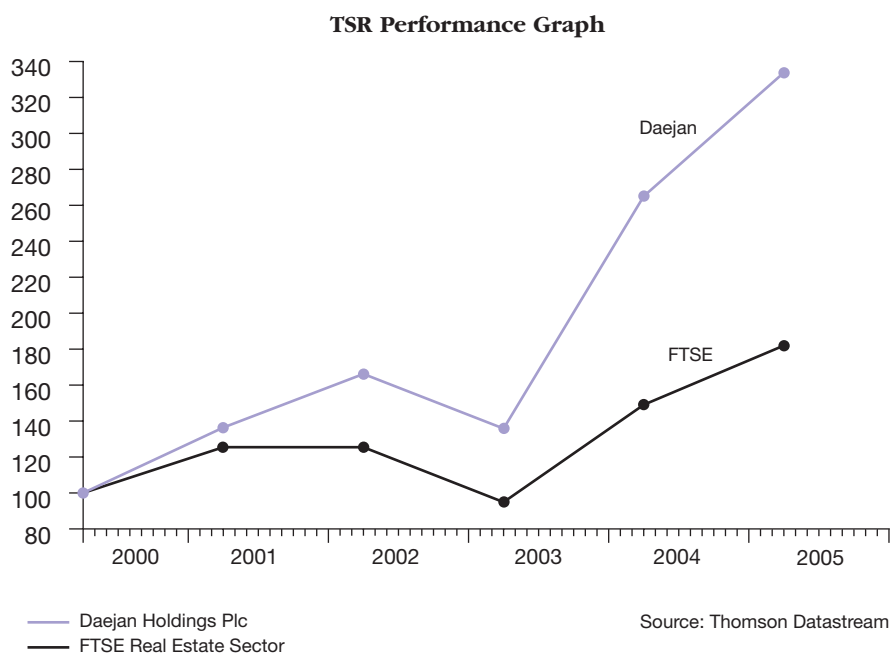
No Director has a service contract.

Total Shareholder Return

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

Daejan Holdings Total Shareholder Return Index versus FTSE Real Estate Sector Total Return Index

for the five financial years ended 31 March 2005 (rebased as at 1 April 2000)



Approved by the Board on 10 August 2005 and signed on its behalf by

M R M Jenner

Company Secretary

Corporate Governance

Corporate Governance

The Board is required by the Financial Services Authority to report on the extent of its application of the principles and of its compliance with the provisions contained in the 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. Formal evaluation of both the Board's and Chairman's performance is undertaken at the final Board meeting. Executive remuneration is not directly related to performance, but we consider that an indirect link is established by the fact that remuneration is not agreed upon until after the publication of the accounts.

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 is 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

Corporate Governance (continued)

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.

During the year there were three formal Board Meetings and attendance was:

B S E Freshwater (3), S I Freshwater (3), D Davis (3).

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 8. All the Directors served throughout the period under review.

Directors' Remuneration

Details of the Directors' remuneration are contained in the Remuneration Report on page 11.

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

Corporate Governance *(continued)*

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 2005 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.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.

Financial Reporting Standard 13

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.

The fair values as at 31 March 2005 as set out in note 16 on page 36 exceeded the book values of the Group's borrowings and receivables by £10 million reflecting a reduction in long term interest rates since the rates were originally fixed. The adjustment to fair value would reduce reported net assets per share by 61p and would increase balance sheet gearing. After taking account of tax relief, the adjustment to net assets would be 43p per share.

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

Market values are affected by many external factors and ironically the stronger the company the higher the market value of its debt. The strength of the Group's balance sheet facilitates the raising of any finance that may be necessary for new acquisitions and further developments on competitive terms.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and of the Group and of the profit or loss for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 Company and of the Group and to prevent and detect fraud and other irregularities.

Independent Auditors' Report

Independent auditors' report to the members of Daejan Holdings PLC

We have audited the financial statements on pages 21 to 40. 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 & auditors

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 18, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

We review whether the Corporate Governance statement on pages 13 to 16 reflects the company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, 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.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the directors' remuneration 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.

Independent Auditors' Report (continued)

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2005 and of the profit of the group for the year then ended; and
- 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.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

London

10 August 2005

Consolidated Profit & Loss Account

<i>for the year ended 31 March 2005</i>	<i>Notes</i>	2005 £000	2004 £000
Turnover	2	88,845	90,007
Net Rental Income	2	36,511	37,138
Surplus on Sale of Trading Properties	2	5,210	7,002
Other Income	2	156	196
Gross Profit		41,877	44,336
Administrative and Other Expenses		(7,669)	(7,342)
Operating Profit		34,208	36,994
Share of Operating Profit in Associate	10	—	—
Surplus on Sale of Investment Properties	2	4,896	1,489
Profit on Ordinary Activities before Interest		39,104	38,483
Net Interest Payable and Other Similar Items	3	(7,835)	(8,041)
Profit on Ordinary Activities before Taxation	4	31,269	30,442
Tax on Profit on Ordinary Activities	5	(9,365)	(7,522)
Profit on Ordinary Activities after Taxation	6	21,904	22,920
Minority Interests - Equity		(96)	(1)
Profit for the Financial Year		21,808	22,919
Dividends: Interim		(4,074)	(3,585)
Final (proposed)		(5,866)	(5,866)
		(9,940)	(9,451)
Retained Profit for the Year	19	11,868	13,468
Basic and diluted earnings per Share	7	133.8p	140.6p
Dividends per Share		61.0p	58.0p

All activities are continuing.

The notes on pages 27 to 40 form part of these Financial Statements.

Consolidated Balance Sheet

<i>as at 31 March 2005</i>	<i>Notes</i>	2005	2004
		£000	£000
Fixed Assets			
Tangible Assets	8	660,512	573,218
Investments	9	617	617
Investment in Associate	10	—	—
		661,129	573,835
Current Assets			
Properties held for Trading	11	57,147	71,648
Debtors: Due within one year	12	26,309	24,127
Investments	13	149	158
Cash at Bank		44,825	44,014
		128,430	139,947
Creditors: Amounts falling due within one year	14	(56,219)	(64,387)
Net Current Assets		72,211	75,560
Total Assets Less Current Liabilities		733,340	649,395
Creditors: Amounts falling due after more than one year	15	(154,174)	(137,265)
Provisions for liabilities and charges	17	(6,747)	(7,492)
Net Assets		572,419	504,638
Capital and Reserves			
Called up Share Capital	18	4,074	4,074
Share Premium Account	19	555	555
Revaluation Reserve	19	315,594	269,581
Other Reserves	19	6,784	6,784
Profit and Loss Account	19	245,206	223,511
Equity Shareholders' Funds		572,213	504,505
Minority Interests - Equity		206	133
		572,419	504,638
Equity Shareholders' Funds per Share	7	£35.12	£30.96

The Financial Statements on pages 21 to 40 were approved by the Board of Directors on 10 August 2005 and were signed on its behalf by:-

B S E Freshwater Director
D Davis Director

The notes on pages 27 to 40 form part of these Financial Statements.

Company Balance Sheet

<i>as at 31 March 2005</i>	<i>Notes</i>	2005	2004
		£000	£000
Fixed Assets			
Investment in subsidiary undertakings	20	614,100	558,794
Current Assets			
Debtors: Due within one year	12	784	—
Cash at Bank		9,433	8,871
		10,217	8,871
Creditors: Amounts falling due within one year	14	(14,354)	(24,410)
Net Current Liabilities		(4,137)	(15,539)
Total Assets Less Current Liabilities		609,963	543,255
Creditors: Amounts falling due after more than one year	15	(37,750)	(38,750)
Net Assets		572,213	504,505
Capital and Reserves			
Called up Share Capital	18	4,074	4,074
Share Premium Account	19	555	555
Revaluation Reserve	19	335,642	287,627
Other Reserves	19	893	893
Profit and Loss Account	19	231,049	211,356
		572,213	504,505

The Financial Statements on pages 21 to 40 were approved by the Board of Directors on 10 August 2005 and were signed on its behalf by:-

B S E Freshwater Director
D Davis Director

The notes on pages 27 to 40 form part of these Financial Statements.

Consolidated Cash Flow Statement

<i>for the year ended 31 March 2005</i>		2005		2004
	£000	£000	£000	£000
Operating activities				
Net cash inflow from operating activities (note 21(i))		31,400		34,618
Returns on investments and servicing of finance				
Interest received	2,151		2,472	
Interest paid	(10,223)		(9,794)	
Minority interests	23		17	
Net cash outflow from returns on investments and servicing of finance		(8,049)		(7,305)
Taxation				
UK Corporation tax paid	(9,152)		(7,688)	
Overseas tax paid	(171)		(44)	
		(9,323)		(7,732)
Capital expenditure				
Purchase of investment properties	(29,469)		(1,547)	
Sale of investment properties	19,091		2,636	
Net cash (outflow)/inflow for capital expenditure		(10,378)		1,089
Equity Dividends paid				
		(9,940)		(8,962)
Cash (outflow)/inflow before financing				
		(6,290)		11,708
Financing				
Repayment of secured loans	(13,306)		(33,558)	
Repayment of mortgage advances	(967)		(2,325)	
New mortgage advances	21,311		12,857	
Net cash inflow/(outflow) from financing (note 21(iii))		7,038		(23,026)
Increase/(decrease) in cash in the year (note 21(ii&iii))		748		(11,318)

The notes on pages 27 to 40 form part of these Financial Statements.

Consolidated Statement of Total Recognised Gains & Losses

<i>for the year ended 31 March 2005</i>	2005	2004
	£000	£000
Profit for the financial year	21,808	22,919
Unrealised surplus on revaluation of investment properties	57,537	27,843
Tax on realisation of revalued properties	(3,567)	(1)
Translation differences on foreign currency net investments	1,870	(6,311)
Total net recognised gains and losses relating to the year	77,648	44,450

Note of Consolidated Historical Cost Profits & Losses

<i>for the year ended 31 March 2005</i>	2005	2004
	£000	£000
Reported profit on ordinary activities before taxation	31,269	30,442
Realisation of investment property revaluation gains of previous years	12,731	882
Historical cost profit on ordinary activities before taxation	44,000	31,324
Historical cost profit for the year retained after tax, minority interests and dividends	21,032	14,349

The notes on pages 27 to 40 form part of these Financial Statements.

Reconciliation of Movements in Consolidated Shareholders' Funds

<i>for the year ended 31 March 2005</i>	2005	2004
	£000	£000
Profit for the financial year	21,808	22,919
Dividends: Interim	(4,074)	(3,585)
Final (proposed)	(5,866)	(5,866)
Retained profit for the year	11,868	13,468
Other net recognised gains and losses relating to the year	55,840	21,531
Net increase in shareholders' funds	67,708	34,999
Equity Shareholders' Funds brought forward	504,505	469,506
Equity Shareholders' Funds carried forward	572,213	504,505

The notes on pages 27 to 40 form part of these Financial Statements.

Notes to the Financial Statements

1. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's Financial Statements.

(a) Basis of Accounting

The Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost convention modified by the revaluation of investment properties (note 1(g)) and investments in subsidiary undertakings (note 1(k)) and with the Companies Act 1985 except as noted below under note 1(d).

(b) Consolidation and Presentation of Financial Information

The Group Financial Statements consist of a consolidation of the Financial Statements of the Company with those of its subsidiary undertakings. All Financial Statements are drawn up to 31 March.

The Financial Statements of certain subsidiary undertakings have not been consolidated (see note 20). A separate profit and loss account dealing with the results of the Company only has not been presented, in accordance with Section 230(4), Companies Act 1985.

The Group's share of profits less losses of associates is included in the Consolidated Profit and Loss account and its interest in their net assets is included in Investments in the Consolidated Balance Sheet.

(c) Income Available for Distribution

Under the Articles of Association of certain Group investment undertakings, realised capital surpluses are not available for distribution as dividends and these surpluses are transferred from Consolidated Profit and Loss Account to Other Non-Distributable Reserves.

(d) Depreciation

In accordance with Statement of Standard Accounting Practice No. 19 investment properties are revalued annually. Surpluses or deficits arising are taken to the revaluation reserve. Any impairment is taken to the profit and loss account for the year. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Leases having an unexpired term of less than 20 years are amortised evenly over the remaining period of the lease.

(e) Acquisitions and Disposals of Properties

Acquisitions and disposals are accounted for at the date of completion.

(f) Deferred Taxation

Deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future, except that:

Notes to the Financial Statements *(continued)*

- (i) provision is not made in respect of property revaluation surpluses unless the sale has been completed and rollover relief is not available to cover any gain arising; and
- (ii) deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable deferred tax profits from which the future reversal of the relevant timing differences can be deducted.

Deferred tax is measured on a non discounted basis at the tax rates which apply at the balance sheet date.

(g) Properties

(i) Investment Properties

Investment properties are included in the Balance Sheet at professional valuation. Any surplus, and any temporary deficit is transferred to the revaluation reserve, and on realisation this surplus or deficit is transferred to the cumulative Consolidated Profit and Loss Account as a reserve movement. Deficits which are expected to be permanent are charged to Profit and Loss Account, and subsequent reversals of such deficits are credited to Profit and Loss Account in the same way.

(ii) Trading Properties

Trading properties are stated at the lower of cost and net realisable value.

(h) Foreign Currencies

Foreign currency borrowings and the assets, liabilities and results of the overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Differences on exchange arising from the translation of opening balance sheets of overseas companies at year end rates and on foreign currency borrowings used to finance long term foreign equity investments are taken directly to Reserves. Other differences on exchange are dealt with in the Profit and Loss Account.

(i) Sales of Investment Properties

It is Group policy to sell, as individual units, flats in residential blocks which have been held as investments but which are now considered uneconomic to retain. Occasionally there are sales of residential and commercial investment blocks. Since such sales of all types of investment property are expected to continue, the resulting surplus based on the excess of sales proceeds over valuation is included within the Group profit on ordinary activities, and taxation applicable thereto is shown as part of the taxation charge.

(j) Repairs

The cost of repairs is written off to Profit and Loss Account in the year in which the expenditure is incurred.

(k) Investments in Subsidiary Undertakings

Investments in subsidiary and associated undertakings are included in the Company Balance Sheet at Directors' valuation carried out at regular intervals and based on net asset value as shown in the subsidiaries' financial statements.

(l) Turnover

Turnover comprises rent and service charges receivable less applicable provisions and proceeds from the sale of trading properties.

2. *Property Income*

An analysis of the main sources of property income, the only class of business, and their respective contribution towards the profit for the year is as follows:

	Property Income £000	Costs £000	2005 Profit Arising £000	Property Income £000	Costs £000	2004 Profit Arising £000
Rents and service charges receivable (see (i) below)	83,271	(46,760)	36,511	82,411	(45,273)	37,138
Trading property sales	5,574	(364)	5,210	7,596	(594)	7,002
	88,845	(47,124)	41,721	90,007	(45,867)	44,140
Investment property sales	18,667	(13,771)	4,896	2,693	(1,204)	1,489
Other income	156	—	156	196	—	196
	107,668	(60,895)	46,773	92,896	(47,071)	45,825

The geographical analysis of property income, profit and net assets is as follows:

	UK £000	USA £000	2005 Total £000	UK £000	USA £000	2004 Total £000
Property income	93,905	13,763	107,668	79,344	13,552	92,896
Profit before financing charges	36,026	3,078	39,104	34,449	4,034	38,483
Financing charges	(4,807)	(3,028)	(7,835)	(5,344)	(2,697)	(8,041)
Profit on ordinary activities before taxation	31,219	50	31,269	29,105	1,337	30,442
Net assets	524,176	48,243	572,419	473,982	30,656	504,638

(i) Cost of rents and service charges receivable includes:

	2005 £000	2004 £000
Wages and salaries	1,060	1,020
Social security costs	94	88
	1,154	1,108

These figures relate only to portering staff of whom an average number of 76 (2004 - 76) were employed during the year.

3. *Net Interest Payable*

	2005 £000	2004 £000
Interest payable on loans	9,973	9,771
Interest payable on overdrafts	13	11
	9,986	9,782
Interest receivable	(2,151)	(1,741)
Net interest payable	7,835	8,041

Notes to the Financial Statements *(continued)*

4. Profit on Ordinary Activities before Taxation

	2005 £000	2004 £000
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors' remuneration - Audit services (including irrecoverable VAT) - Group	417	425
- Company	20	20
Taxation services paid to KPMG LLP	300	—

The Group jointly employed an average of 140 persons during the year (2004 - 146). The aggregate payroll costs were £5,030,000 (2004 - £4,873,000). Details of the Directors' remuneration are contained in the Directors' Remuneration Report on page 11.

The Group contributes to a Director's Pension Scheme as described in the Directors' Remuneration Report on page 11. There were no outstanding contributions or prepayments at the year end.

5. Tax on Profit on Ordinary Activities

	2005 £000	2004 £000
Taxation based on the profit for the year		
UK corporation tax at 30% (2004 - 30%)	10,140	8,449
Overseas taxation	(717)	101
	9,423	8,550
Adjustments to prior years' charges	233	(609)
Total current tax	9,656	7,941
Deferred tax on origination and reversal of timing differences (Note 17)	(291)	(419)
	9,365	7,522
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	31,269	30,442
Corporation tax at the standard rate of 30% (2004 - 30%)	9,381	9,133
Expenses disallowed	577	184
Adjustments in respect of previous periods - UK	233	(609)
Reduced tax on overseas profits not subject to UK corporation tax	(52)	(40)
Timing differences	(66)	(630)
Non-taxable income and other differences	(417)	(97)
	9,656	7,941

Note 17 sets out the Group's deferred taxation provision.

During the year the group has acquired a wholly owned subsidiary undertaking J2C PLC, (note 20) an associate, Arch Holdings Limited (note 10), and an investment in Tritteam Limited (note 9). The companies have been acquired as part of the Group's financial planning strategy. They have realised tax losses, the use of which is subject to agreement by HM Revenue & Customs.

6. Profit on Ordinary Activities After Taxation

Profit after taxation of £29,455,000 arises in the holding company, £23,363,000 being dividends paid by subsidiary companies (2004 - £23,786,000; dividends - £14,665,000).

7. *Basic and Diluted Earnings per Share/Equity Shareholders' Funds per Share*

Earnings per share is calculated on earnings, after taxation and minority interests, of £21,808,000 (2004 - £22,919,000) and the weighted average number of shares in issue during the year of 16,295,357 (2004 - 16,295,357).

Equity Shareholders' Funds per Share are calculated on Equity Shareholders' Funds of £572,213,000 (2004 - £504,505,000) and the number of shares in issue at the year end of 16,295,357 (2004 - 16,295,357).

8. *Tangible Assets – Investment Properties*

	<i>Freehold</i> £000	<i>Long Leasehold</i> £000	<i>Short Leasehold</i> £000	Total 2005 £000
At Valuation 1 April 2004	455,327	100,748	17,143	573,218
Disposals	(13,701)	(1)	—	(13,702)
Additions	29,469	—	—	29,469
Revaluation	46,350	9,162	2,025	57,537
Foreign Exchange movements	(779)	—	—	(779)
Transfer from Trading Properties (see note 11)	14,769	—	—	14,769
At Valuation 31 March 2005	531,435	109,909	19,168	660,512

The historical cost of investment properties is £340m.

A professional valuation of all the Group's United Kingdom investment properties was carried out at 31 March 2005 by Cardales, Chartered Surveyors. The revalued figures are based on open market values in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual. (See report on page 41.)

The Group's US properties held for investment were also professionally valued at 31 March 2005 by KTR Newmark, Meredith & Grew and Joseph J. Blake and Associates, Inc. US General Certified Appraisers. The revalued figures are based on open market values.

As mentioned in the Directors' Report on page 7 one of the Group's US trading properties has been reclassified as an investment property and is disclosed at cost in the transfer figure above.

9. *Investments held as Fixed Assets*

Investments held as fixed assets in the Group Balance Sheet represent the cost of interests in syndicates holding industrial buildings.

During the year the Company purchased 16.7% of the ordinary shares of Tritteam Limited for a consideration of £1.

Notes to the Financial Statements (continued)

10. Investment in Associate

For the reasons explained in note 5, on 14 October 2004 Daejan Holdings PLC bought 74.9% of the ordinary share capital of Arch Holdings Limited for a total consideration of 74.9 pence. A further 24.9% of the ordinary share capital of Arch Holdings Limited is owned by Metropolitan Properties Co. Limited, a company which is related to Daejan Holdings PLC. On 14 October 2004 Arch Holdings Limited bought 100% of the ordinary share capital of Arch (2004) Limited (formerly CBS Underwriting Limited) for a total consideration of £1. Daejan Holdings PLC's shareholding provides 50% of the voting rights in Arch Holdings Limited and hence in Arch (2004) Limited.

Arch Holdings Limited's principal activity is a holding company. Arch (2004) Limited's principal activity was to carry on the business of underwriting as a corporate member at Lloyds of London. The company ceased underwriting on 31 December 2001. Arch (2004) Limited 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.

Because of the above arrangements Daejan Holdings PLC has no obligation to fund any losses of Arch (2004) Limited or any excess of its liabilities over assets. At 31 December 2004 the excess amounted to £35.1 million. After adjusting for this excess, Daejan Holdings PLC's share in the total assets, total liabilities and net assets/liabilities of Arch (2004) Limited amounted to £nil.

	£000	£000
Investments	56,851	
Debtors	50,860	
Other assets	39,656	
		147,367
Provisions	(139,386)	
Creditors: amounts falling due after more than one year	(3,270)	
Other creditors	(4,711)	
		(147,367)
Net assets/liabilities		—

11. Properties held for Trading

	2005			2004		
	UK	USA	Total	UK	USA	Total
	£000	£000	£000	£000	£000	£000
At the lower of cost and net realisable value	21,572	50,344	71,916	21,424	50,224	71,648
Transfer (see note 8)	—	(14,769)	(14,769)	—	—	—
	21,572	35,575	57,147	21,424	50,224	71,648

£4.6m (2004 - £4.7m) of the properties held for trading in the USA are held through shares in co-operative corporations.

The trading properties were professionally valued at 31 March 2002. This resulted in a surplus over book value of £148.5m in respect of the UK properties and £26.2m for the US properties which have not been incorporated into the financial statements. The Directors are satisfied that the net realisable value of the properties remain substantially in excess of their book value.

<i>12. Debtors</i>	<i>The Group</i>		<i>The Company</i>	
	2005	<i>2004</i>	2005	<i>2004</i>
	£000	£000	£000	£000
Rents and service charges	14,545	14,810	—	—
Other debtors and prepayments	10,179	8,661	—	—
Mortgages granted repayable within one year	801	656	—	—
Escrow account	784	—	784	—
Due within one year	26,309	24,127	784	—

13. Investments held as current assets

Investments held as current assets include listed securities of £127,000 (2004 - £136,000) held at the lower of cost and net realisable value. The market value of these securities at 31 March 2005 was £169,000 (2004 - £167,000).

<i>14. Creditors: amounts falling due within one year</i>	<i>The Group</i>		<i>The Company</i>	
	2005	<i>2004</i>	2005	<i>2004</i>
	£000	£000	£000	£000
Bank loans and overdrafts (see note below)	6,565	17,930	7,565	18,728
Mortgage instalments	2,596	2,655	—	—
Rents and service charges charged in advance	13,578	12,805	—	—
Other creditors and accruals	17,073	18,661	816	718
Taxation	10,541	6,470	107	(902)
Dividends payable	5,866	5,866	5,866	5,866
	56,219	64,387	14,354	24,410

Note: Bank loans and overdrafts of the Group and of the Company are secured on certain of the Group's properties.

Notes to the Financial Statements (continued)

15. Creditors: amounts falling due after more than one year	The Group		The Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Mortgage advances	77,385	58,180	—	—
Secured bank loans	76,789	79,085	37,750	38,750
	154,174	137,265	37,750	38,750

Analysis of creditors falling due after more than one year

	Interest rate	The Group		The Company	
		2005 £000	2004 £000	2005 £000	2004 £000
Amounts repayable after 1 April 2010					
Mortgages	4.46%-7.89%	65,844	45,908	—	—
Secured bank loans	4.64%-8.55%	65,361	68,516	33,750	34,750
		131,205	114,424	33,750	34,750
Amounts repayable between 1 April 2007 and 31 March 2010					
Mortgages	4.375%-5.89%	5,665	11,973	—	—
Secured bank loans	4.64%-8.55%	8,663	8,272	3,000	3,000
		14,328	20,245	3,000	3,000
Amounts repayable between 1 April 2006 and 31 March 2007					
Mortgages	4.52%-6.76%	5,876	300	—	—
Secured bank loans	4.64%-8.55%	2,765	2,296	1,000	1,000
		8,641	2,596	1,000	1,000
Amount of Long Term Loans secured on certain of the Group's properties					
		154,174	137,265	37,750	38,750

16. Financial instruments

The Group's strategy in respect of the use of financial instruments to manage risk is detailed on page 16.

Financial assets

The Group's financial assets are investments held as fixed assets (note 9), short and long term debtors (note 12), current asset investments (note 13) and cash at bank and in hand.

The interest rate and liquidity risk profile of cash balances of the Group is set out below:

	2005 £000	2004 £000
Cash - Sterling denominated	30,293	32,299
Cash - US dollar denominated	14,532	11,715
Total	44,825	44,014

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

The Group has short term debtors of £6,428,000 (2004 - £6,775,000) denominated in US dollars.

Current asset investments and investments held as fixed assets are denominated in Sterling.

Financial liabilities

Liquidity risk - profile

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

	2005	2004
	£000	£000
Within one year or less or on demand	9,161	20,585
Between one and two years	8,641	2,596
Between two and five years	14,328	20,245
After five years	131,205	114,424
	163,335	157,850

The Group has undrawn borrowing facilities of £88.5m (2004 - £77m) expiring within one year and £5m (2004 - £5m) expiring after five years.

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:

	2005	2004
	£000	£000
Floating rate liabilities — Sterling denominated	18,753	48,703
Floating rate liabilities — US dollar denominated	6,562	7,727
Fixed rate liabilities — Sterling denominated	69,585	52,490
Fixed rate liabilities — US dollar denominated	68,435	48,930
	163,335	157,850

The floating rate financial liabilities comprise:

- Sterling denominated bank borrowings bearing rates based on LIBOR.
- US dollar denominated bank borrowings bearing rates based on US Prime rate.

Hedge profile - type and maturity of protection

The weighted average interest rate on the fixed rate debt was 6.77% (2004 - 7.43%) and the weighted average period for which the borrowing is fixed at 31 March 2005 was 10 years (2004 - 10 years).

All of the £60,335,000 (2004 - £61,690,000) of fixed rate swaps mature after five years.

Notes to the Financial Statements (continued)

Fair value of financial assets and liabilities

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

	<i>Book value</i> £000	<i>Notional Principal</i> £000	2005 Fair value adjustment £000	<i>Fair value</i> £000	2004 <i>Fair value adjustment</i> £000
Financial instruments held or issued to finance the Group's operations					
<i>Assets:</i>					
Investments held as current assets	127	—	42	169	31
<i>Liabilities:</i>					
Floating rate debt	(25,315)	—	—	(25,315)	—
Fixed rate debt	(138,020)	—	(9,990)	(148,010)	(12,898)
Fair value adjustment			(9,948)		(12,867)

The fair values were calculated as at 31 March 2005 and reflect the replacement values of the financial instruments used to manage the Group's exposure to adverse interest rate movements. All gains and losses arising from hedging instruments which crystallised during the year have been recognised in the profit and loss account.

A recalculation of the fair value adjustment has been carried out at 18 July 2005 (the last practical date before the printing of these Financial Statements) which due to movements in interest rates since 31 March 2005 has resulted in a current fair value adjustment of £13,328,000 in place of the March figure of £9,948,000.

Currency profile

The Group had net monetary assets of £60,000 (2004 - £1,032,000) denominated in US dollars held in entities using Sterling as the functional currency.

<i>17. Provisions for liabilities and charges</i>	2005 £000
Deferred taxation:	
At 1 April 2004	7,492
Credit to profit and loss account	(291)
Foreign exchange movement	(454)
At 31 March 2005	6,747

The provision represents deferred tax on timing differences resulting from capital allowances, tax depreciation and industrial building allowances.

In the event of a realisation of the Group's investment properties at an amount equal to the valuation recorded in the Financial Statements, a liability to corporation tax on chargeable gains would arise estimated at not more than £54.0m (2004 - £48.2m) and for which no provision has been made in these Financial Statements in accordance with FRS 19.

<i>18. Share Capital</i>	<i>Number</i>	2005	<i>2004</i>
		£000	£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

<i>19. Reserves</i>	<i>The Group</i>		<i>The Company</i>	
	£000	£000	£000	£000
Share Premium Account:				
At 1 April 2004 and 31 March 2005		555		555
Revaluation Reserve:				
At 1 April 2004	269,581		287,627	
Foreign exchange movements	1,207		(387)	
Transfer to profit and loss account of revaluation surplus on investment properties now realised	(12,731)		—	
Fixed asset revaluation	57,537		48,402	
At 31 March 2005		315,594		335,642
Other Non-Distributable Reserves:				
At 1 April 2004 and 31 March 2005		6,784		893
Profit and Loss Account:				
At 1 April 2004	223,511		211,356	
Foreign exchange movements	663		178	
Revaluation reserve realised on disposal	12,731		—	
Tax on revaluation reserve realised	(3,567)		—	
Retained profit for the year	11,868		19,515	
At 31 March 2005		245,206		231,049

The revaluation reserves arise from the revaluation of investment properties and investments in subsidiary undertakings in the Group and Company respectively.

<i>20. Investment in subsidiary undertakings</i>	<i>Shares at valuation</i>	<i>Loans</i>	<i>Total</i>
	£000	£000	£000
The Company			
At 1 April 2004	305,409	253,385	558,794
Loans	—	7,291	7,291
Revaluation	48,402	—	48,402
Effect of foreign exchange differences	(387)	—	(387)
At 31 March 2005	353,424	260,676	614,100

The historical cost of shares in subsidiary undertakings is £17,876,000 (2004 - £17,876,000).

Shares in subsidiary undertakings have been valued by the Directors at 31 March 2005 based on the net asset values of the subsidiary undertakings.

Notes to the Financial Statements (continued)

In June 2004, Ponteland Properties Limited, a wholly-owned subsidiary undertaking of Daejan Holdings PLC, acquired 100% of the issued share capital of J2C PLC.

The results of certain subsidiary undertakings, acquired at a cost of £146,000 and valued by the Directors at £Nil (2004 - £Nil) have been excluded from the Consolidated Financial Statements. The combined profits since acquisition attributable to the Company as indicated by their financial statements amounted to £40,000 (2004 - £40,000) and their aggregate liabilities at 31 March 2005 were £54,000 (2004 - £54,000). The inclusion of these undertakings would not materially affect the Consolidated Financial Statements.

<i>21. Notes to the Consolidated Cash Flow Statement</i>	2005	2004		
	£000	£000		
(i) Reconciliation of operating profit to net cash inflow from operating activities.				
Operating profit	34,208	36,994		
Decrease/(increase) in properties held for trading	152	(11,953)		
(Increase)/decrease in debtors	(2,182)	6,108		
(Decrease)/increase in creditors	(787)	3,495		
Decrease/(increase) in investments held as current assets	9	(26)		
Net cash inflow from operating activities	31,400	34,618		
(ii) Reconciliation of net cash flow to movement in net debt				
	2005	2004		
	£000	£000		
Increase/(decrease) in cash	748	(11,318)		
New mortgage advances	(21,311)	(12,857)		
Repayment of financing	14,273	35,883		
Change in net debt resulting from cash flows	(6,290)	11,708		
Exchange movements	1,616	5,427		
Change in net debt	(4,674)	17,135		
Opening net debt	(113,836)	(130,971)		
Closing net debt	(118,510)	(113,836)		
(iii) Analysis of changes in net debt				
	<i>1 April</i>	<i>Cash</i>	<i>Exchange</i>	<i>31 March</i>
	<i>2004</i>	<i>flow</i>	<i>movements</i>	<i>2005</i>
	£000	£000	£000	£000
Cash at bank	44,014	546	265	44,825
Overdrafts	(202)	202	—	—
	43,812	748	265	44,825
Secured loans	(99,168)	13,306	212	(85,650)
Mortgage advances	(58,480)	(20,344)	1,139	(77,685)
	(113,836)	(6,290)	1,616	(118,510)

Cash at bank includes an amount of £786,000 (2004 - £794,000) which is held on behalf of tenants and cannot be utilised by the Group.

22. 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 and Mr D Davis are also Directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company.

The net amounts paid for the provision of various management services charged by the Group's managing agents Highdorn Co. Limited and Freshwater Property Management Limited were £3.8m (2004 - £3.5m).

At 31 March 2005 £2.3m was due to Highdorn Co. Limited and Freshwater Property Management Ltd. (2004 - £6.3m).

The Directors interests in the Company and the principal shareholders are described on pages 9 and 10.

23. Contingent liabilities

The Company has guaranteed bank and mortgage indebtedness of certain subsidiary undertakings which at 31 March 2005 amounted to £50m (2004 - £51m).

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.

Notes to the Financial Statements *(continued)*

24. *Principal Subsidiary Undertakings*

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

Incorporated in the UK and registered in England

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

* Indirectly owned.

Report of the UK Valuers

The Directors,
Daejan Holdings PLC
158-162 Shaftesbury Avenue
London
WC2H 8HR

Gentlemen,

As instructed we have valued for the purpose of your Company's accounts the investment properties owned by its subsidiaries in the United Kingdom as at 31 March 2005. The properties are listed in our separate detailed schedules.

We have not had access to Title Deeds and our valuation is on the basis of the information supplied to us by you as to tenure and occupancy and other relevant information.

The properties have been valued individually on the basis of open market value and in the case of Freshwater House on the basis of Existing Use Value in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors, Appraisal and Valuation Manual.

No allowance has been made for expenses of realisation or for any taxation which may arise, and our valuations are expressed exclusive of any Value Added Tax that may become chargeable.

Our valuations assume that the properties are free from any undisclosed onerous burdens, outgoing or restrictions. We have not seen planning consents and have assumed that the properties have been erected and are being occupied and used in accordance with all requisite consents.

We have not carried out Structural Surveys of the properties nor have we tested the services. Our valuations assume that the buildings contain no deleterious materials.

We confirm that the valuations have been carried out by us as External Valuers qualified for the purpose of the valuation.

The valuation is made, subject to our Standard Terms of Engagement and General Principles applied in the preparation of Valuations and Reports provided to you and in accordance with instructions, the properties are inspected on a three-yearly cycle.

Having regard to the foregoing we are of the opinion that the aggregate of the values of your Company's property interests in the United Kingdom as at 31 March 2005 is £589,674,000.

In accordance with our standard practice, we must state that this valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Yours faithfully,

Cardales
Chartered Surveyors
1 Lumley Street,
London W1Y 2ND

31 March 2005

Five-Year Record

	<i>2001</i> <i>Restated</i> <i>£000</i>	<i>2002</i> <i>£000</i>	<i>2003</i> <i>£000</i>	<i>2004</i> <i>£000</i>	<i>2005</i> <i>£000</i>
Turnover	80,066	85,823	84,132	90,007	88,845
Net Rental Income	38,006	40,972	37,723	37,138	36,511
Surplus on Sale of Trading Properties	4,622	5,591	6,587	7,002	5,210
Other Income	1,679	143	159	196	156
Gross profit	44,307	46,706	44,469	44,336	41,877
Group Profit before Taxation	29,765	30,081	30,692	30,442	31,269
Taxation	8,436	9,262	10,057	7,522	9,365
Minority Interests	429	53	51	1	96
Available Surplus	20,900	20,766	20,584	22,919	21,808
Earnings: p. per Share	128.3	127.4	126.3	140.6	133.8
Dividends: p. per Share	49.0	52.0	55.0	58.0	61.0
Gross Assets	602,045	669,600	704,425	713,782	789,559
Equity Shareholders' Funds	382,851	442,775	469,506	504,505	572,213
Equity Shareholders' Funds: £ per Share (based on balance sheet figures)	23.49	27.17	28.81	30.96	35.12
Represented by:					
Share Capital	4,074	4,074	4,074	4,074	4,074
Reserves and Retained Profit	378,777	438,701	465,432	500,431	568,139
Equity Shareholders' Funds	382,851	442,775	469,506	504,505	572,213

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 & Co.,
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 Seventieth 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 23 September 2005 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 2005 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 has attained the age of 70 years as a Director. (Resolution 4.)
5. To re-appoint KPMG Audit Plc as Auditors, and to authorise the Directors to agree their remuneration. (Resolution 5.)

Special Business

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

6. THAT
 - (a) the Memorandum of Association of the Company be amended by the deletion of the existing objects clause, clause 4, and the insertion of a new clause 4 as contained in the printed document produced to the meeting and initialled by the Chairman for the purpose of identification; and
 - (b) the regulations contained in the printed document produced to the meeting and initialled by the Chairman for the purpose of identification be and the same are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company. (Resolution 6.)

By Order of the Board,
M R M Jenner
Secretary

10 August 2005

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 21 September 2005 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 1 November 2005 to Shareholders registered at the close of business on 7 October 2005.

No Director has a service contract.