

**THE CROMLECH PROPERTY CO. LIMITED**

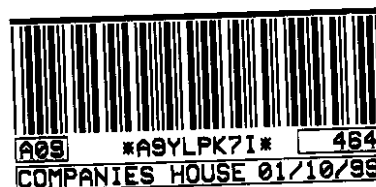
Company No: 613900

**FINANCIAL STATEMENTS**

**for the year ended**

**31ST MARCH 1999**

**COHEN, ARNOLD & CO  
CHARTERED ACCOUNTANTS  
REGISTERED AUDITOR  
LONDON W1X 2JP**



**THE CROMLECH PROPERTY CO. LIMITED**

**DIRECTORS**

B S E Freshwater  
D Davis

**SECRETARY**

C C Morse F.C.I.S.

**REGISTERED OFFICE**

Freshwater House  
158-162 Shaftesbury Avenue  
LONDON WC2H 8HR

**AUDITORS**

Cohen, Arnold & Co  
13-17 New Burlington Place  
Regent Street  
LONDON W1X 2JP

**THE CROMLECH PROPERTY CO. LIMITED**  
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**FOR THE YEAR ENDED 31ST MARCH 1999**

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# **THE CROMLECH PROPERTY CO. LIMITED**

## **REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting their Report, together with the Financial Statements of the Company for the year ended 31st March 1999.

### **BUSINESS REVIEW**

The principal activity of the Company is property investment. There has been no significant change in the nature of the Company's business activities during the year under review, nor is any envisaged in the immediate future.

### **RESULTS AND DIVIDEND**

The results for the year are set out in the attached Financial Statements and Explanatory Notes. The Directors do not recommend the payment of a dividend for the year under review (1998:£Nil).

### **PROPERTIES**

A professional revaluation of the Company's properties was carried out as at 31st March 1999 and the resultant figures have been incorporated into the Financial Statements.

### **DIRECTORS AND DIRECTORS' INTERESTS**

The Directors who served throughout the year and who are still in office are:

Mr B S E Freshwater  
Mr D Davis

The Articles of Association of the Company do not require the Directors to retire by rotation.

Neither Director has a service contract, nor do they receive any emoluments from the Company.

Day to day management of the Company's property is carried out by Highdorn Co. Limited and Freshwater Property Management Limited. Mr B S E Freshwater is a Director of both companies and has a non-beneficial interest in the share capital of Highdorn Co. Limited. Mr B S E Freshwater and Mr D Davis are also Governors of the Parent Undertaking of Freshwater Property Management Limited but have no beneficial interest in either company.

The whole of the issued share capital of the Company is owned by City and Country Properties Limited. At 31 March 1999 neither of the Directors had any interest in the share and loan capital of the Company, the Company's Parent Undertaking or any Subsidiary of the Company's Parent Undertaking.

The interests of the Directors, and those of their families and family trusts, in the share capital of Daejan Holdings PLC, the Ultimate Parent Undertaking, are set out in the Directors' Report of that Company.

### **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 affairs of the Company and of its profit or loss for that period. In preparing the Financial Statements, the Directors are required to:

- i) select suitable accounting policies and apply them consistently
- ii) make judgements and estimates that are reasonable and prudent

# **THE CROMLECH PROPERTY COMPANY LIMITED**

## **REPORT OF THE DIRECTORS**

**(Continued)**

### **DIRECTORS' RESPONSIBILITIES (Cont.)**

- iii) follow applicable Accounting Standards, subject to any material departures disclosed and explained in the Financial Statements
- iv) prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **DONATIONS**

During the year the Company made no charitable donation nor political contribution.

### **INCOME AND CORPORATION TAXES ACT 1988**

The Directors are advised that the Company is a close company within the meaning of the Act.

### **MILLENNIUM ISSUES**

The Company is carrying out a detailed review of all its internal systems with the object of ensuring that they will be Year 2000 compliant. Updating those systems that are not already Year 2000 compliant is progressing well and will be completed shortly.

The costs of updating systems that are not already Year 2000 compliant are not anticipated to be significant.

The Company is also well advanced with carrying out a review of the systems within its properties in order to eliminate any problems relating to the continuity of services which it provides. We have now completed the necessary surveys and risk assessments and any action required has been or will be carried out shortly. The Company is writing to all tenants with full repairing and insuring leases informing them of their responsibility for ensuring Year 2000 compliance. The Company has also written to its major suppliers seeking confirmation of their approach in dealing with this issue.

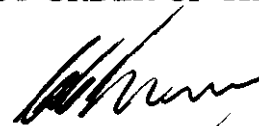
### **AUDITORS**

The auditors, Cohen, Arnold & Co, are willing to continue in office, and a resolution re-appointing them in accordance with Section 385 of the Companies Act 1985 and authorising the Board to fix their remuneration will be proposed at the Annual General Meeting.

Head Office:  
Freshwater House  
158-162 Shaftesbury Avenue  
London WC2H 8HR

Date: **27 AUG 1999**

BY ORDER OF THE BOARD



**C.C. MORSE**  
Secretary

**REPORT OF THE AUDITORS, COHEN, ARNOLD & CO.**

**TO THE MEMBERS**

**- OF -**

**THE CROMLECH PROPERTY CO. LIMITED**

We have audited the Financial Statements set out on pages 4 to 11.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As indicated in the Directors' Report, the Company's Directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on the Financial Statements and to report our opinion to you.

**BASIS OF OPINION**

We have 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. It also includes an assessment of the significant estimates and judgements by the Directors in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

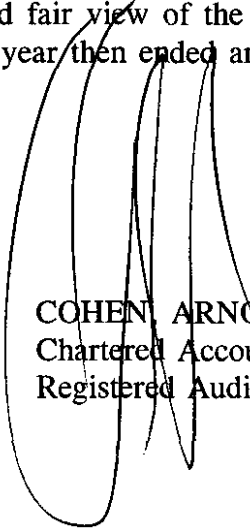
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence and to give reasonable assurance that the Financial Statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

**OPINION**

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company at 31st March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

Date: **27 AUG 1999**

  
COHEN, ARNOLD & CO  
Chartered Accountants and  
Registered Auditor

**THE CROMLECH PROPERTY CO. LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31ST MARCH 1999**

	Note	<u>1999</u> £	<u>1998</u> £
Rents and Charges Receivable		302,573	253,279
Property Outgoings		(142,249)	(141,658)
<b>GROSS PROFIT</b>		<b>160,324</b>	<b>111,621</b>
Administrative Expenses	3	(3,500)	(3,500)
<b>OPERATING PROFIT</b>		<b>156,824</b>	<b>108,121</b>
Interest Payable	4	(1,003,000)	(1,145,000)
Revaluation Surplus	5	1,648,628	2,500,000
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>802,452</b>	<b>1,463,121</b>
Taxation - credit	6	262,315	321,432
<b>PROFIT FOR THE FINANCIAL YEAR</b>	11	<b>£1,064,767</b>	<b>£1,784,553</b>

None of the Company's activities was acquired or discontinued during the financial year nor in the previous year.

The notes on pages 7 to 11 form part of these Financial Statements.

**THE CROMLECH PROPERTY CO. LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 31ST MARCH 1999**

	<b><u>1999</u></b> <b>£</b>	<b><u>1998</u></b> <b>£</b>
Profit for the Year after Taxation Credit	<b>1,064,767</b>	<b>1,784,553</b>
Unrealised Surplus/(Deficit) on Revaluation of Investment Properties	<b>3,351,372</b>	<b>-</b>
<b>Total Recognised Gains/(Losses) for the Year</b>	<b><u>£4,416,139</u></b>	<b><u>£1,784,553</u></b>

**THE CROMLECH PROPERTY CO. LIMITED**

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

**FOR THE YEAR ENDED 31ST MARCH 1999**

	<b><u>1999</u></b> <b>£</b>	<b><u>1998</u></b> <b>£</b>
Profit for the Year after Taxation	<b>1,064,767</b>	<b>1,784,553</b>
Other Recognised Gains and Losses Relating to the year	<b>3,351,372</b>	<b>-</b>
Net Increase/(Reduction) in Shareholders' Funds	<b>4,416,139</b>	<b>1,784,553</b>
Shareholders' Funds Brought Forward	<b>(5,549,357)</b>	<b>(7,333,910)</b>
Shareholders' Funds Carried Forward	<b><u>(1,133,218)</u></b>	<b><u>(5,549,357)</u></b>



**THE CROMLECH PROPERTY CO. LIMITED**

**BALANCE SHEET AS AT 31ST MARCH 1999**

	Note	£	<u>1999</u>	£	£	<u>1998</u>	£
<b>FIXED ASSETS</b>							
Tangible Assets	7		13,500,000			8,500,000	
<b>CURRENT ASSETS</b>							
Debtors	8		77,930			84,595	
<b>CREDITORS:</b> Amounts falling due within one year	9	(14,711,148)			(14,133,952)		
<b>NET CURRENT LIABILITIES</b>			(14,633,218)			(14,049,357)	
<b>NET LIABILITIES</b>			(1,133,218)			(5,549,357)	
<b>CAPITAL AND RESERVES</b>							
Called-up Share Capital	10		120,800			120,800	
Profit and Loss Account	11		(4,605,390)			(5,670,157)	
Revaluation Reserve	11		3,351,372			-	
			£ (1,133,218)			£(5,549,357)	

The Financial Statements were approved by the Board on **27 AUG 1999**  
and signed on its behalf by:

  
**B S E Freshwater**

  
**D Davis**

**Directors**

The notes on pages 7 to 11 form part of these Financial Statements.

**THE CROMLECH PROPERTY CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 1999**

**1. PRINCIPAL 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.

**1.1 BASIS OF ACCOUNTING**

The Financial Statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards as adjusted by the policy of accounting for investment properties referred to in Note 1.2.

Compliance with Statement of Standard Accounting Practice No. 19 "Accounting for Investment Properties" requires a departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of this departure is given in Note 1.3 below.

The Directors have received an assurance that the Ultimate Parent Undertaking, Daejan Holdings PLC, will continue to provide such cash resources as are required by the Company to enable it to meet its obligations as they fall due. On the basis of this assurance, the Financial Statements have been prepared on a going-concern basis.

**1.2 INVESTMENT PROPERTIES**

Investment properties are included in the Balance Sheet either at professional valuation, carried out at regular intervals, or at Directors' valuation carried out in the intervening years. Any surplus, and any temporary deficit is transferred to the revaluation reserve, and on realisation this surplus or deficit is transferred to the cumulative Profit and Loss Account. 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.

**1.3 DEPRECIATION**

In accordance with Statement of Standard Accounting Practice No. 19, no depreciation or amortisation is provided in respect of Freehold Investment Properties nor on Leasehold Investment Properties having an unexpired term of more than twenty years. This departure from the requirements of the Companies Act 1985, for all properties to be depreciated, is necessary, as the Directors consider that this Accounting Policy results in the Financial Statements giving a true and fair view.

Depreciation or Amortisation is only one of 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 twenty years are amortised evenly over the remaining period of the lease.

Low value items of furniture and fittings are written off in the year in which they are acquired.

**THE CROMLECH PROPERTY CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 1999**

**1. PRINCIPAL ACCOUNTING POLICIES (Cont.)**

**1.4 ACQUISITIONS AND DISPOSALS OF PROPERTIES**

Acquisitions and disposals are considered to have taken place at the date of legal completion.

**1.5 DEFERRED TAXATION**

Deferred Taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits stated in the Financial Statements, and is calculated using the liability method. Provision is made for deferred taxation in respect of those timing differences which are expected to crystallize in the foreseeable future.

**1.6 CASH FLOW STATEMENT**

Under Financial Reporting Standard No. 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly - owned Subsidiary Undertaking of a Parent Undertaking registered in England and Wales which prepares Consolidated Financial Statements that include a consolidated cash flow statement.

**1.7 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption in Financial Reporting Standard number 8 "Related Party Disclosures" in order to dispense with the requirement to disclose transactions with other Daejan Holdings Plc Group Companies.

**2. STAFF NUMBERS AND COSTS**

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Wages and Salaries	12,500	11,550
Social Security Costs	610	408
	<hr/>	<hr/>
	£13,110	£11,958
	<hr/>	<hr/>

The average number of employees during the period was 1 (1998: 1) These figures relate to portage staff only.

**3. ADMINISTRATIVE EXPENSES**

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Audit Fees	£3,500	£3,500
	<hr/>	<hr/>

The Directors of the Company received no remuneration during the year or in the preceding year.

**THE CROMLECH PROPERTY CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 1999**

**4. INTEREST PAYABLE**

	<b><u>1999</u></b> £	<b><u>1998</u></b> £
Group Finance Charges	<b>£1,003,000</b>	£1,145,000

**5. REVALUATION OF INVESTMENT PROPERTY**

	<b><u>1999</u></b> £	<b><u>1998</u></b> £
Surplus on Revaluation of Investment Property Transferred to Profit and Loss Account	<b>£1,648,628</b>	£2,500,000

**6. TAXATION**

	<b><u>1999</u></b> £	<b><u>1998</u></b> £
Taxation based on results for the year:		
Consideration Receivable for Group Relief	<b>£262,315</b>	£321,432

In the event of a realisation of the Company's property at an amount equal to the valuation recorded in the financial statements, a liability to corporation tax on chargeable gains would arise which is estimated at £Nil (1998: £Nil).

**7. TANGIBLE ASSETS**

	<b>Freehold Property £</b>
At Valuation 1st April 1998	<b>8,500,000</b>
Revaluation Surplus arising in year	<b>5,000,000</b>
At Professional valuation 31st March 1999	<b>£13,500,000</b>

The historical cost of investment properties is £10,148,628 (1998 - £10,148,628).

A professional valuation of the Company's freehold properties was carried out at 31st March 1999 by Cardales, Chartered Surveyors. The revaluation figures are based on open market values in accordance with the Practice Statements in the R.I.C.S. Appraisal and Valuation Manual.

**THE CROMLECH PROPERTY CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 1999**

**8. DEBTORS**

	<u>1999</u>	<u>1998</u>
	£	£
Rents and Charges Receivable	52,584	58,284
Prepayments	25,346	26,311
	<u>£77,930</u>	<u>£84,595</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>1999</u>	<u>1998</u>
	£	£
Rents and Service Charges charged in Advance	68,040	63,076
Other Creditors and Accruals	13,392	9,553
Amount due to Parent Undertaking	13,815,919	14,061,323
Amount due to Fellow Subsidiary Undertaking	813,797	-
	<u>£14,711,148</u>	<u>£14,133,952</u>

**10. CALLED UP SHARE CAPITAL**

	<u>1999</u>	<u>1998</u>
	£	£
<u>Authorised, Allotted, Called up and Fully Paid</u> 120,800 Ordinary Shares of £1 each	£120,800	£120,800

**11. RESERVES**

	£
<u>Profit and Loss Account</u>	
Adverse Balance at 1st April 1998	(5,670,157)
Profit for the year	1,064,767
	<u>£(4,605,390)</u>
 <u>Revaluation Reserve</u>	
Balance at 1st April 1998	-
Revaluation Surplus	3,351,372
	<u>3,351,372</u>
 Balance at 31st March 1999	<u>3,351,372</u>

**THE CROMLECH PROPERTY CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 1999**

**12. DIRECTORS' INTEREST IN CONTRACTS**

Day to day management of the Company's property is carried out by Freshwater Property Management Limited, a member of the Freshwater Group of Companies with which this Company is closely associated. Mr B.S.E. Freshwater is also a Director of the aforementioned company. Mr B.S.E. Freshwater and Mr D. Davis are also Governors of the parent undertaking of Freshwater Property Management Limited but have no beneficial interest in either Company.

The amounts paid for the provision of management services charged for at normal commercial rates were £13,440 (1998:£20,095).

**13. ULTIMATE PARENT UNDERTAKING**

The Company's Ultimate Parent Undertaking is Daejan Holdings PLC, a company incorporated in the United Kingdom and registered in England and Wales.

The Parent Undertaking of the largest group of undertakings for which group Financial Statements are drawn up is Daejan Holdings PLC and the Parent of the smallest group of undertakings for which group Financial Statements are drawn up is City and Country Properties Limited.

Copies of these Financial Statements can be obtained from Freshwater House, 158-162 Shaftesbury Avenue, London, WC2H 8HR.