

**Daejan (Brighton) Limited**

**Directors' report and financial  
statements**

**Registered number 2565357**

**31 March 2007**



## **Directors' report and financial statements**

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

### 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 dividends

The results for the year are set out in the attached profit and loss account and explanatory notes.

The Company paid a dividend of £nil in the year (2006 £210,000). The Directors have proposed a final dividend of £370,000 (2006 £229,000).

### Properties

A professional revaluation of all of the company's investment portfolio was carried out as at 31 March 2007 by Colliers CRE, Chartered Surveyors.

This revaluation produced a surplus of £900,000 (2006 £470,000).

### Directors and directors' interests

The directors who held office during the year were as follows:

BSE Freshwater (Chairman)  
D Davis

The Articles of Association of the company do not require the directors to retire by rotation.

The directors do not have service contracts nor do they receive any emoluments from the company.

Part of the day to day management of the company's properties is carried out by Highdorn Co Limited and by Freshwater Property Management Limited. Mr BSE Freshwater is a director of both companies and is also interested in the share capital of Highdorn Co Limited. Mr BSE Freshwater and Mr D Davis are directors of the parent company of Freshwater Property Management Limited.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. Their interests, and those of their families and family trusts, in the share capital of the ultimate holding company, Daejan Holdings PLC, are set out in the Directors' report of that company.

### Disclosure of information to auditors

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

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
MRM Jenner  
Secretary

Registered Office  
Freshwater House  
158-162 Shaftesbury Avenue  
London WC2H 8HR  
3 August 2007

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures 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 will continue in business.

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



KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## **Independent auditors' report to the members of Daejan (Brighton) Limited**

We have audited the financial statements of Daejan (Brighton) Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains & Losses, Reconciliation of Movements in Equity Share Holders Funds, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

The directors' responsibility for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of Directors Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

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

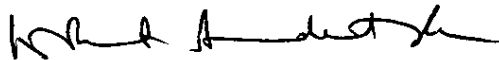
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**Independent auditors' report to the members of Daejan (Brighton) Limited**  
*(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



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

3 August 2007

**Profit and loss account**  
*for the year ended 31 March 2007*

	<i>Note</i>	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
<b>Turnover</b>	<b>2</b>	<b>685,600</b>	<b>685,600</b>
		<hr/>	<hr/>
<b>Rents receivable less property outgoings</b>	<b>3</b>	<b>627,466</b>	<b>668,430</b>
Administrative expenses		<b>(1,000)</b>	<b>(1,000)</b>
		<hr/>	<hr/>
<b>Operating profit</b>		<b>626,466</b>	<b>667,430</b>
Net interest payable	<b>4</b>	<b>(424,729)</b>	<b>(338,647)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>5</b>	<b>201,737</b>	<b>328,783</b>
Tax on profit on ordinary activities	<b>6</b>	<b>(60,341)</b>	<b>(98,635)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>141,396</b>	<b>230,148</b>
		<hr/>	<hr/>

All activities are continuing

There is no material difference between the profit for the year as disclosed and that calculated on an historical cost basis

**Statement of total recognised gains and losses**  
*for the year ended 31 March 2007*

	2007 £	2006 £
Profit for the year after taxation	141,396	230,148
Unrealised surplus on revaluation of properties	900,000	470,000
	<hr/>	<hr/>
Total gains recognised in the year	1,041,396	700,148
	<hr/>	<hr/>

**Reconciliation of movements in equity shareholders' funds**  
*for the year ended 31 March 2007*

	2007 £	2006 £
Profit for the year after taxation	141,396	230,148
Dividends paid	-	(210,000)
	<hr/>	<hr/>
Other recognised gains relating to the year (net)	141,396	20,148
	900,000	470,000
	<hr/>	<hr/>
Net increase in equity shareholders' funds	1,041,396	490,148
Equity shareholders' funds brought forward	2,158,520	1,668,372
	<hr/>	<hr/>
Equity shareholders' funds carried forward	3,199,916	2,158,520
	<hr/>	<hr/>



**Balance sheet**  
*at 31 March 2007*

	Note	£	2007 £	£	2006 £
<b>Fixed assets</b>					
Tangible assets	7		9,000,000		8,100,000
<b>Creditors amounts falling due within one year</b>	8	(5,476,792)		(5,619,172)	
<b>Net current liabilities</b>			(5,476,792)		(5,619,172)
<b>Total assets less current liabilities</b>			3,523,228		2,480,828
<b>Provisions for liabilities and charges</b>	9		(323,312)		(322,308)
<b>Net assets</b>			3,199,916		2,158,520
<b>Capital and reserves</b>					
Called up share capital	10		1,000		1,000
Revaluation reserve	11		2,822,950		1,922,950
Profit and loss account	12		375,966		234,570
<b>Equity shareholders' funds</b>			3,199,916		2,158,520

These financial statements were approved by the board of directors on 3 August 2007 and were signed on its behalf by

BSE Freshwater  
Director



## **Notes**

*(forming part of the financial statements)*

### **1 Basis of preparation**

The financial statements have been prepared on the going concern basis, notwithstanding the company's net current liabilities, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Daejan Holdings PLC, the company's parent undertaking. Daejan Holdings PLC has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available.

This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### **2 Accounting policies**

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

#### ***Basis of 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 as noted below.

#### ***Sales of investment properties***

It is the company's 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. Sales of investment property are recognised on completion.

#### ***Acquisitions and disposals of properties***

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

#### ***Investment properties***

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 permanent diminution 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 company'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.

## Notes (continued)

### 2 Accounting policies (continued)

#### *Taxation*

##### *Current*

Provision is made for consideration payable to or receivable from other group undertakings for the surrender of losses under group relief provisions

##### *Deferred*

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

- (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 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

#### *Turnover*

Turnover comprises rents and service charges receivable less applicable provisions

#### *Related party transactions*

The company has taken advantage of the exemption in FRS 8 Related Party Disclosures in order to dispense with the requirement to disclose transactions with other Daejan Holdings PLC group companies

### 3 Rents receivable less property outgoings

	2007 £	2006 £
Rents receivable	685,600	685,600
Property outgoings	(58,134)	(17,170)
	<hr/>	<hr/>
	627,466	668,430
	<hr/>	<hr/>

## Notes (continued)

### 4 Net interest payable

	2007 £	2006 £
Group interest payable	412,000	342,000
Less interest receivable	(141)	(3,353)
Interest on overdue tax	12,870	-
	<u>424,729</u>	<u>338,647</u>

### 5 Profit on ordinary activities before taxation

	2007 £	2006 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

### 6 Taxation

#### a) Analysis of charge for the year

	2007 £	2006 £
<b>Current tax</b>		
UK corporation tax charge at 30% (2006 30%)	59,517	97,297
Prior year adjustment	(180)	-
<b>Deferred tax (note 9)</b>		
Origination and reversal of timing differences		
Accelerated capital allowances	1,004	1,338
<b>Tax charge on profit on ordinary activities</b>	<u>60,341</u>	<u>98,635</u>

#### b) Factors affecting tax charge for the year

	2007 £	2006 £
Profit on ordinary activities before tax	201,737	328,783
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2006 30%)	60,521	98,635
Effects of		
Accelerated capital allowances	(1,004)	(1,338)
Prior year adjustment	(180)	-
<b>Current tax charge</b>	<u>59,337</u>	<u>97,297</u>

**c) Factors affecting future tax charges**

On 27 June 2007 Parliament substantially enacted the 2007 Finance Act containing a change in the rate of UK Corporation tax from 30% to 28%, effective from 1 April 2008. In future periods the new rate will be applied to the Company's deferred tax liabilities, including those held at the balance sheet date. The net impact on the Company's deferred tax position at 31 March 2007 will be to decrease its deferred tax liability by £21,554.

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

**7 Tangible fixed assets**

	<b>Freehold land and buildings £</b>
<i>At valuation</i>	
At 31 March 2006	8,100,000
Revaluation	900,000
	<hr/>
<b>At 31 March 2007</b>	<b>9,000,000</b>
	<hr/>

The historical cost of investment properties at 31 March 2007 (included above at valuation) is £6,177,050 (2006 £6,177,050).

An independent professional revaluation of all of the company's freehold property was carried out at 31 March 2007 by Colliers CRE, Chartered Surveyors. The revaluation figures are based on open market value in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual.

**8 Creditors: amounts falling due within one year**

	<b>2007 £</b>	<b>2006 £</b>
Rents charged and paid in advance	157,851	157,849
Amounts owed to parent and fellow subsidiary undertaking	5,142,339	5,320,087
Corporation tax (current)	176,582	141,236
	<hr/>	<hr/>
	<b>5,476,772</b>	<b>5,619,172</b>
	<hr/>	<hr/>

**9 Provisions for liabilities and charges**

	<b>£</b>
At 31 March 2006	322,308
Charge to the profit and loss for the year	1,004
	<hr/>
<b>At 31 March 2007</b>	<b>323,312</b>
	<hr/>

The provision represents deferred tax on timing differences resulting from capital allowances.

No provision has been made for the potential liability to corporation tax on chargeable gains which would arise upon the disposal of properties at the amount at which they are included in the financial statements as no such liability is estimated to arise (2006 £nil). There is no other unprovided deferred tax.

## Notes (continued)

### 10 Called up share capital

	2007 £	2006 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

### 11 Revaluation reserve

	£
At 31 March 2006	1,922,950
Surplus on revaluation	900,000
	<u>2,822,950</u>
At 31 March 2007	<u>2,822,950</u>

### 12 Profit and loss account

	£
At 31 March 2006	234,570
Profit for the year	141,396
Dividends paid	-
	<u>375,966</u>
At 31 March 2007	<u>375,966</u>

### 13 Contingent liabilities

Certain of the company's properties have been charged as part security for loans to group undertakings amounting to £12,250,000 at 31 March 2007 (2006 £37,250,000)

### 14 Directors' interests in contracts

Part of the day to day management of the company's properties is carried out by Highdorn Co Limited and by Freshwater Property Management Limited. Mr BSE Freshwater is a director of both companies and is also interested in the share capital of Highdorn Co Limited. Mr BSE Freshwater and Mr D Davis are directors of the parent company of Freshwater Property Management Limited. During the year £16,112 (2006 £16,112) was paid to Highdorn Co Limited for the provision of a full range of management and legal services, which were charged at normal commercial rates. There is no outstanding balance at 31 March 2007 (2006 £nil).

**Notes** *(continued)*

**15 Ultimate holding company and parent company of a larger group**

The company's ultimate holding company is Daejan Holdings PLC, which is incorporated in Great Britain and registered in England and Wales

The largest group in which the results of the company are consolidated is that headed by Daejan Holdings PLC. The consolidated financial statements of Daejan Holdings PLC are available to the public and may be obtained from Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR

No other group financial statements include the results of the company

**16 Cash flow statement**

Under Financial Reporting Standard 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 UK company

**Property revenue account**  
*for the year ended 31 March 2007*

	£	2007 £	£	2006 £
<b>Rents receivable</b>		685,600		685,600
Management commission	16,112		16,112	
Repairs	1,567		706	
Legal and professional	176		352	
Letting commission	40,279		-	
		<u>(58,134)</u>		<u>(17,170)</u>
<b>Surplus carried to profit and loss account</b>		<u><u>627,466</u></u>		<u><u>668,430</u></u>

This page does not form part of the financial statements