

Daejan (Kingston) Limited

Directors' report and financial statements

31 March 1998

Registered number 2622396



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 1998.

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 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.

No final dividend is recommended (1997: *£nil*).

Properties

A professional valuation of the company's investment portfolio was carried out at 31 March 1998 by Cardales, Chartered Surveyors and the values have been incorporated in the financial statements.

The revaluation produced a surplus of £100,000 (1997: *deficit of £50,000*) which has been transferred to the revaluation reserve.

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.

Directors' report

Directors and directors' interests (*continued*)

The only other contracts in which the directors were interested were those entered into in the normal course of business.

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.

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



CC Morse
Secretary

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

7 August 1998

Statement of 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 the profit or loss of the company 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 disclosed and explained in the financial statements;
- 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 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 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.



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London
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Auditors' report to the members of Daejan (Kingston) Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3 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 those statements and to report our opinion to you.

Basis of 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. 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

7 August 1998

Profit and loss account

for the year ended 31 March 1998

	<i>Note</i>	1998 £	1997 £
Rents receivable less property outgoings	3	322,432	328,379
Administrative expenses		(1,000)	(1,000)
		<hr/>	<hr/>
Operating profit from continuing activities		321,432	327,379
Net interest payable	4	(267,911)	(264,436)
		<hr/>	<hr/>
Profit on ordinary activities			
before taxation	5	53,521	62,943
Tax on profit on ordinary activities	6	(10,878)	(12,661)
		<hr/>	<hr/>
Retained profit for the financial year		42,643	50,282
Retained profit brought forward		292,914	242,632
		<hr/>	<hr/>
Retained profit carried forward		335,557	292,914
		<hr/> <hr/>	<hr/> <hr/>

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

All activities are continuing.

Statement of total recognised gains and losses

for the year ended 31 March 1998

	1998 £	1997 £
Retained profit for the financial year	42,643	50,282
Unrealised surplus/(deficit) on revaluation of properties	100,000	(50,000)
	<hr/>	<hr/>
Total gains and losses recognised since last annual report	142,643	282
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds

for the year ended 31 March 1998

	1998 £	1997 £
Retained profit for the financial year	42,643	50,282
Other recognised gains and losses relating to the year (net)	100,000	(50,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	142,643	282
Opening shareholders' funds	712,804	712,522
	<hr/>	<hr/>
Closing shareholders' funds	855,447	712,804
	<hr/> <hr/>	<hr/> <hr/>

Balance sheet


at 31 March 1998

	Note	1998 £	£	1997 £	£
Fixed assets					
Tangible assets	7		3,800,000		3,700,000
Current assets					
Debtors	8	1,391		85,590	
Creditors: amounts falling due within one year	9	(2,945,944)		(1,147,786)	
Net current liabilities			(2,944,553)		(1,062,196)
Total assets less current liabilities			855,447		2,637,804
Creditors: amounts falling due after more than one year	10		-		(1,925,000)
Net assets			855,447		712,804
Capital and reserves					
Called up share capital	11		1,000		1,000
Revaluation reserve	12		518,890		418,890
Profit and loss account			335,557		292,914
Equity shareholders' funds			855,447		712,804

These financial statements were approved by the board of directors on signed on its behalf by:

7 August

1998 and were


BSE Freshwater
Director


D Davis
Director

Notes

(forming part of the financial statements)

1 Basis of preparation

The directors have received an assurance that 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.

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.

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified by the policy of accounting for investment properties referred to below.

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 is transferred to the cumulative profit and loss account. Any deficits which are expected to be permanent are charged to the profit and loss account, and subsequent reversals of such deficits are credited to the profit and loss account in the same way.

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. 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 company profit on ordinary activities, and taxation applicable thereto is shown as part of the taxation charge.

Notes (continued)

2 Accounting policies (continued)

Depreciation

In accordance with Statement of Standard Accounting Practice No 19 (as amended) 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 twenty years are amortised evenly over the remaining period of the lease.

Acquisitions and disposals of properties

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

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 taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements and is calculated on the liability method. Provision is made for deferred taxation in respect of those timing differences which are expected to crystallise in the foreseeable future.

No provision is made in the financial statements for the corporation tax on chargeable capital gains which would arise if the company's investment properties were sold at the amounts stated in the balance sheet.

Repairs

The cost of repairs is written off in the profit and loss account in the year in which the expenditure is incurred.

Related party transactions

The company has taken advantage of the exemption in FRS8 Related Party Disclosures in order to dispense with the requirement to disclose transactions with other Daejan Holdings PLC group companies.

Notes (continued)

3 Analysis of turnover

	1998 £	1997 £
Rents receivable	337,499	337,500
Property outgoings	(15,067)	(9,121)
	<hr/>	<hr/>
Gross profit	322,432	328,379
	<hr/> <hr/>	<hr/> <hr/>

4 Net interest payable

	1998 £	1997 £
Group finance charges payable	90,000	85,000
External interest payable	177,911	179,436
	<hr/>	<hr/>
	267,911	264,436
	<hr/> <hr/>	<hr/> <hr/>

5 Profit on ordinary activities before taxation

	1998 £	1997 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	1,000	1,000
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

6 Tax on profit on ordinary activities

	1998 £	1997 £
UK corporation tax at 31% (1997: 33%)	10,878	9,426
Deferred tax	-	3,235
	<hr/> 10,878	<hr/> 12,661
	<hr/> <hr/>	<hr/> <hr/>

7 Tangible fixed assets

	Freehold land and buildings £
<i>At valuation</i>	
At 1 April 1997	3,700,000
Revaluation	100,000
	<hr/>
At 31 March 1998	3,800,000
	<hr/> <hr/>

The historical cost of investment properties at 31 March 1998 (included above at valuation) is £3,281,110 (1997: £3,281,110).

A professional revaluation of all of the company's freehold property was carried out at 31 March 1998 by Cardales, Chartered Surveyors. The revaluation figures are based on open market value in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual.

Notes (continued)

8 Debtors

	1998 £	1997 £
Trade debtors	-	84,376
Prepayments and accrued income	1,391	1,214
	<u>1,391</u>	<u>85,590</u>

9 Creditors: amounts falling due within one year

	1998 £	1997 £
Mortgage advance	1,925,000	-
Rents and service charges charged and paid in advance	77,671	77,671
Amounts owed to parent undertakings	90,000	85,000
Amounts owed to fellow subsidiary undertakings	831,058	964,644
Corporation tax	10,878	9,426
Other creditors and accruals	11,337	11,045
	<u>2,945,944</u>	<u>1,147,786</u>

The terms of repayment of the mortgage advance involve interest payments only at 9.32% for a fixed rate interest period from 11 December 1994 until 10 December 1997, followed by the three month LIBOR rate plus 1.25% until the principal is repayable in full by 11 December 1999.

The mortgage advance is secured by a first legal charge over the freehold of the property and a floating charge over the assets of the company.

The directors are currently negotiating a settlement for early redemption of the mortgage, thus this amount has been included within amounts falling due within one year.

Notes (continued)

10 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Mortgage advance	·	1,925,000
	<u> </u>	<u> </u>

11 Called up share capital

	1998 £	1997 £
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>

12 Revaluation reserve

	£
At 1 April 1997	418,890
Surplus arising on revaluation	100,000
	<u> </u>
At 31 March 1998	518,890
	<u> </u>

13 Contingent liabilities

The company has guaranteed loan facilities of group undertakings against which borrowings of £7,910,000 had been drawn at 31 March 1998 (1997 £7,910,000).

Notes (continued)

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 £15,067 (1997: £9,121) was paid to Highdorn Co Limited for the provision of a full range of management services, which were charged for at normal commercial rates.

15 Ultimate holding company and parent undertaking of larger group of which the company is a member

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.