

Daejan (Kingston) Limited

**Directors' report and financial
statements**

Registered number 2622396

31 March 2000



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Auditors' report to the members of Daejan (Kingston) Limited	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Reconciliation of movements in shareholders' funds	6
Balance sheet	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

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.

A dividend of £400,000 has been paid in the year (1999: £150,000).

Properties

A professional valuation of the company's investment portfolio was carried out at 31 March 2000 by Cardales, Chartered Surveyors and the values have been incorporated in the financial statements.

The revaluation produced a deficit of £220,000 (1999: *neither a surplus nor deficit*) which has been transferred to the revaluation reserve.

Year 2000

Although we are now in the year 2000, the generic Year 2000 issue remains. Given the complexity of the problem it is not possible for any organisation to guarantee that no Year 2000 problems will remain because at least some level of failure may still occur. However, the Board believes that it has achieved an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that may arise.

Since 31 December 1999 the company has incurred no significant problems as a result of the Year 2000 issue and has not incurred any additional costs.

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.

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.

Directors' report

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

24 July 2000

Statement of directors' responsibilities

United Kingdom 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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

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

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 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 are properly prepared in accordance with the Companies Act. 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 company is not disclosed.

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. 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 2000 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

24 July 2000

Profit and loss account

for the year ended 31 March 2000

	Note	2000 £	1999 £
Rents receivable less property outgoings	3	330,368	327,421
Administrative expenses		(1,000)	(1,180)
Operating profit from continuing activities		329,368	326,241
Interest payable	4	(179,000)	(108,377)
Profit on ordinary activities before taxation	5	150,368	217,864
Tax on profit on ordinary activities	6	(42,000)	(63,253)
Profit on ordinary activities after taxation		108,368	154,611
Dividends paid		(400,000)	(150,000)
Retained (loss)/profit for the financial year		(291,632)	4,611
Retained profit brought forward		340,168	335,557
Retained profit carried forward		48,536	340,168

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 2000

	2000 £	1999 £
Profit for the year after taxation	108,368	154,611
Unrealised deficit on revaluation of properties	(220,000)	-
Total (losses)/gains recognised in the year	(111,632)	154,611

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2000

	2000 £	1999 £
Profit for the year after taxation	108,368	154,611
Dividends paid	(400,000)	(150,000)
	(291,632)	4,611
Other recognised losses relating to the year (net)	(220,000)	-
Net (reduction)/increase in shareholders' funds	(511,632)	4,611
Opening shareholders' funds	860,058	855,447
Closing shareholders' funds	348,426	860,058

Balance sheet

at 31 March 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible assets	7	3,580,000	3,800,000
Current assets			
Debtors	8	1,084	1,359
Creditors: amounts falling due within one year	9	(3,232,658)	(2,941,301)
Net current liabilities		(3,231,574)	(2,939,942)
Net assets		348,426	860,058
Capital and reserves			
Called up share capital	10	1,000	1,000
Revaluation reserve	11	298,890	518,890
Profit and loss account		48,536	340,168
Equity shareholders' funds		348,426	860,058

These financial statements were approved by the board of directors on 24 July 2000 and were signed on its behalf by:


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.

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.

Notes (continued)

2 Accounting policies (continued)

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.

3 Analysis of turnover

	2000 £	1999 £
Rents receivable	338,424	337,500
Property outgoings	(8,056)	(10,079)
	<hr/> 330,368 <hr/>	<hr/> 327,421 <hr/>

Notes (continued)

4 Interest payable

	2000 £	1999 £
Group finance charges payable	179,000	66,000
External interest payable	-	42,377
	<u>179,000</u>	<u>108,377</u>

5 Profit on ordinary activities before taxation

	2000 £	1999 £
<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 Tax on profit on ordinary activities

	2000 £	1999 £
UK corporation tax at 30% (1999: 31%)	42,000	63,253
	<u>42,000</u>	<u>63,253</u>

7 Tangible fixed assets

	Freehold land and buildings £
<i>At valuation</i>	
At 1 April 1999	3,800,000
Net deficit on revaluation	(220,000)
	<u>3,580,000</u>
At 31 March 2000	<u>3,580,000</u>

The historical cost of investment properties at 31 March 2000 (included above at valuation) is £3,281,110 (1999: £3,281,110).

A professional revaluation of all of the company's freehold property was carried out at 31 March 2000 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

	2000 £	1999 £
Prepayments and accrued income	1,084	1,359

9 Creditors: amounts falling due within one year

	2000 £	1999 £
Rents and service charges charged and paid in advance	76,747	77,671
Amounts owed to parent undertakings	579,000	66,000
Amounts owed to fellow subsidiary undertakings	2,533,827	2,733,018
Corporation tax	42,000	63,253
Other creditors and accruals	1,084	1,359
	<u>3,232,658</u>	<u>2,941,301</u>

10 Called up share capital

	2000 £	1999 £
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	1,000	1,000

11 Revaluation reserve

	£
At 1 April 1999	518,890
Net deficit on revaluation	(220,000)
	<u>298,890</u>
At 31 March 2000	<u>298,890</u>

Notes (continued)

12 Contingent liabilities

Certain of the company's properties have been charged as part security for loans to group undertakings amounting to £43,750,000 at 31 March 2000 (1999: £44,750,000).

13 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 £8,056 (1999: £8,105) was paid to Highdorn Co Limited for the provision of a full range of management services, which were charged for at normal commercial rates.

14 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.

15 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.