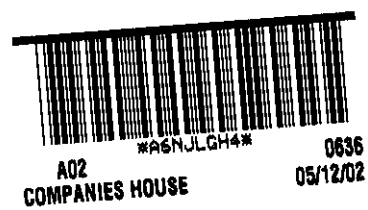


Daejan (Kingston) Limited

Directors' report and financial statements

Registered number 2622396

31 March 2002



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent 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 equity 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 2002.

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.

The directors do not recommend payment of a dividend (2001: £115,000).

Properties

A professional valuation of the company's investment portfolio was carried out at 31 March 2002 by Cardales, Chartered Surveyors and the values have been incorporated in the financial statements.

The revaluation produced a surplus of £330,000 (2001: deficit of £30,000) 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.

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 *(continued)*

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

A handwritten signature in black ink, appearing to be 'MRM Jenner', followed by a horizontal line.

MRM Jenner
Secretary

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

30 July 2002

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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Daejan (Kingston) Limited

We have audited the financial statements on pages 5 to 13.

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 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 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 2002 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

30 July 2002

Profit and loss account
for the year ended 31 March 2002

	<i>Note</i>	2002 £	2001 restated £
Turnover	3	337,500	336,576
Rents receivable less property outgoings	3	329,409	308,035
Administrative expenses		(1,000)	(1,000)
Operating profit from continuing activities		328,409	307,035
Net interest payable	4	(224,778)	(206,000)
Profit on ordinary activities before taxation	5	103,631	101,035
Tax on profit on ordinary activities	6	(31,089)	(30,311)
Profit on ordinary activities after taxation		72,542	70,724
Dividends paid		-	(115,000)
Retained profit/(loss) for the financial year		72,542	(44,276)
Retained loss brought forward		(102,119)	(57,843)
Retained loss carried forward		(29,577)	(102,119)

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.

The comparative figures for the year ended 31 March 2001 have been restated to reflect the change in accounting policies described in note 2.

Statement of total recognised gains and losses
for the year ended 31 March 2002

	2002	2001 restated
	£	£
Profit for the year after taxation	72,542	70,724
Unrealised surplus/(deficit) on revaluation of properties	330,000	(30,000)
	<hr/>	<hr/>
Total gains recognised in the year	402,542	40,724
	<hr/>	<hr/>

Note on prior year adjustment

	2002
	£
Total recognised gains relating to the year (as above)	402,542
Prior year adjustment (see note 2)	(108,712)
	<hr/>
Total recognised gains since the last financial statements	293,830
	<hr/>

Reconciliation of movements in equity shareholders' funds
for the year ended 31 March 2002

	2002	2001 restated
	£	£
Profit for the year after taxation	72,542	70,724
Dividends paid	-	(115,000)
	<hr/>	<hr/>
Other recognised gains and losses relating to the year (net)	72,542	(44,276)
	330,000	(30,000)
	<hr/>	<hr/>
Net increase/(reduction) in equity shareholders' funds	402,542	(74,276)
Equity shareholders' funds brought forward as previously reported	276,483	348,426
Restatement following adoption of FRS 19	(108,712)	(106,379)
	<hr/>	<hr/>
Equity shareholders' funds brought forward as restated	167,771	242,047
	<hr/>	<hr/>
Equity shareholders' funds carried forward	570,313	167,771
	<hr/>	<hr/>

Balance sheet
at 31 March 2002

	Note	2002	2001 restated
		£	£
Fixed assets			
Tangible assets	7	3,880,000	3,550,000
Current assets			
Debtors	8	1,218	1,131
Creditors: amounts falling due within one year	9	(3,200,444)	(3,274,648)
Net current liabilities		(3,199,226)	(3,273,517)
Total assets less current liabilities		680,774	276,483
Provisions for liabilities and charges	10	(110,461)	(108,712)
Net assets		570,313	167,771
Capital and reserves			
Called up share capital	11	1,000	1,000
Revaluation reserve	12	598,890	268,890
Profit and loss account	13	(29,577)	(102,119)
Equity shareholders' funds		570,313	167,771

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

30 July

2002 and were


BSE Freshwater
Director

Notes

(forming part of the financial statements)

1 Basis of preparation

The company has net current liabilities at the year end, however, 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.

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.

Investment properties

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 20 years are amortised evenly over the remaining period of the lease.

Operating lease incentives

As required by the Urgent Issues Task Force Abstract 28, all incentives offered to tenants to enter into or renew leases have been accounted for by spreading the monetary value either over the relevant lease or a shorter period ending on a date from which it is expected that the prevailing market rental will be payable under the lease. Previously, rents had been recognised only over the periods for which these were due. The only impact on cash flow will be an acceleration of tax payments.

The effect of adopting the Abstract on the company's results for the current and previous years is £nil.

Acquisitions and disposals of properties

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

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:

In the current year, the company has adopted the provisions of Financial Reporting Standard (FRS) 19 Deferred Tax. As a result, deferred tax is now 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 taxable 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.

In adopting the Standard the company has restated the previous year's results. The effect of adopting this Standard was a decrease in opening reserves of £108,712 and an increase in the tax charge of £1,749 for the current year and £2,333 for the prior year.

Turnover

Turnover comprises rents and service charges receivable.

Repairs

The cost of repairs is written off to 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 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

	2002 £	2001 £
Rents receivable	337,500	336,576
Property outgoings	(8,091)	(28,541)
	<hr/> 329,409 <hr/>	<hr/> 308,035 <hr/>

4 Net interest payable

	2002 £	2001 £
Group interest payable	226,000	206,000
External interest receivable	(1,222)	-
	<hr/> 224,778 <hr/>	<hr/> 206,000 <hr/>

Notes (continued)

5 Profit on ordinary activities before taxation

	2002 £	2001 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	1,000	1,000

6 Taxation

a) Analysis of charge for the year

	2002 £	2001 restated £
Current tax		
UK corporation tax charge at 30% (2001: 30%)	29,340	27,978
Deferred tax (note 10)		
Origination and reversal of timing differences:		
Accelerated capital allowances	1,749	2,333
Tax charge on profit on ordinary activities	31,089	30,311

b) Factors affecting tax charge for the year

	2002 £	2001 restated £
Profit on ordinary activities before tax	103,631	101,035
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2001: 30%)	31,089	30,311
Effects of:		
Accelerated capital allowances	(1,749)	(2,333)
Current tax charge	29,340	27,978

Notes (continued)

7 Tangible fixed assets

	Freehold land and buildings £
<i>At valuation</i>	
At 1 April 2001	3,550,000
Surplus on revaluation	330,000
	<hr/>
At 31 March 2002	3,880,000
	<hr/>

The historical cost of investment properties at 31 March 2002 (included above at valuation) is £3,281,110 (2001: £3,281,110).

An independent professional revaluation of the company's freehold property was carried out at 31 March 2002 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.

8 Debtors

	2002 £	2001 £
Prepayments and accrued income	1,218	1,131
	<hr/>	<hr/>

9 Creditors: amounts falling due within one year

	2002 £	2001 £
Rents and service charges charged and paid in advance	77,671	77,732
Amounts owed to parent undertakings	253,978	263,000
Amounts owed to fellow subsidiary undertakings	2,838,215	2,904,807
Corporation tax	29,340	27,978
Other creditors and accruals	1,240	1,131
	<hr/>	<hr/>
	3,200,444	3,274,648
	<hr/>	<hr/>

Notes (continued)

10 Provision for liabilities and charges

	£
Deferred tax movement in provision:	
At 1 April 2001 as previously reported	-
Restatement following adoption of FRS 19	108,712
	<hr/>
At 1 April 2001 as restated	108,712
Charge for the year	1,749
	<hr/>
At 31 March 2002	110,461
	<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 (2001: £nil). There is no other unprovided deferred tax.

11 Called up share capital

	2002 £	2001 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

12 Revaluation reserve

	£
At 1 April 2001	268,890
Net surplus on revaluation	330,000
	<hr/>
At 31 March 2002	598,890
	<hr/>

Notes (continued)

13 Profit and loss account

	£
At 1 April 2001 as previously reported	6,593
Restatement following adoption of FRS 19	(108,712)
	<hr/>
At 1 April 2001 as restated	(102,119)
Retained profit for the year	72,542
	<hr/>
At 31 March 2002	(29,577)
	<hr/>

14 Contingent liabilities

Certain of the company's properties have been charged as part security for loans to group undertakings amounting to £41,750,000 at 31 March 2002 (2001: £42,750,000).

15 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 £8,069 (2001: £27,892) was paid to Highdorn Co Limited for the provision of a full range of management services, which were charged at normal commercial rates. There were no balances outstanding at 31 March 2002 (2001: £nil).

16 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.

17 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 2002

	2002 £	2001 £
Rents receivable	337,500	336,576
Management commission	(8,091)	(28,541)
	<hr/>	<hr/>
Surplus carried to profit and loss account	329,409	308,035
	<hr/>	<hr/>

This page does not form part of the financial statements.