

Daejan (FH 1998) Limited

**Directors' report and financial
statements**

Registered number 03605328

31 March 2015

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2015. The Company's registered number is 03605328.

The Company qualifies for the small company exemption under Section 414B of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and hence a Strategic Report is not required.

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 no dividend in the year (2014: *£nil*). The directors do not propose a final dividend. (2014: *£nil*).

Properties

A professional revaluation of all the Company's investment portfolio was carried out at 31 March 2015 by Colliers International Property Advisers UK LLP, RICS Registered Valuers.

The revaluation produced a surplus of £2,293,402 (2014: *deficit of £2,076,506*) which has been transferred to the revaluation reserve. The amount presented in the balance sheet has been shown net of £498,813 relating to rent concessions (2014: *£532,215*).

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.

The majority of the day-to-day management of the Company's properties and operations are carried out by Highdorn Co. Limited. Mr BSE Freshwater is a director of, but has no beneficial interest in the share capital of, Highdorn Co. 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.

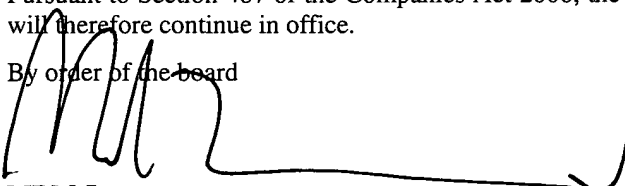
Disclosure of information to auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



MRM Jenner
Secretary

Registered Office
Freshwater House
158-162 Shaftesbury Avenue
London WC2H 8HR
2 November 2015

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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

By order of the board



MRM Jenner
Secretary

Registered Office
Freshwater House
158-162 Shaftesbury Avenue
London WC2H 8HR
2 November 2015



Independent auditor's report to the members of Daejan (FH 1998) Limited

We have audited the financial statements of Daejan (FH 1998) Limited for the year ended 31 March 2015 set out on pages 4 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Bill Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
2 November 2015

Profit and loss account
for the year ended 31 March 2015

	<i>Note</i>	2015 £	2014 £
Turnover		2,038,199	2,245,513
Property outgoings		(672,752)	(1,086,346)
Gross profit		1,365,447	1,159,167
Administrative expenses		(16,500)	(17,500)
Operating profit		1,348,947	1,141,667
Net interest payable	3	(1,408,295)	(1,425,960)
Loss on ordinary activities before taxation	4	(59,348)	(284,293)
Tax on loss on ordinary activities	7	265,963	53,009
Profit/(loss) for the financial year	13	206,615	(231,284)

The notes on pages 7 to 12 form part of these financial statements.

All activities are continuing.

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

Statement of total recognised gains and losses
for the year ended 31 March 2015

	2015 £	2014 £
Profit/(loss) for the financial year	206,615	(231,284)
Unrealised surplus/(deficit) on revaluation of properties	2,293,402	(2,076,506)
	<hr/>	<hr/>
Total recognised gains/(losses) relating to the financial year	2,500,017	(2,307,790)
	<hr/>	<hr/>

Reconciliation of movements in equity shareholders' funds
for the year ended 31 March 2015


	2015 £	2014 £
Profit/(loss) for the financial year	206,615	(231,284)
	<hr/>	<hr/>
Retained profit/(loss) for the year	206,615	(231,284)
Other recognised gains/(losses) relating to the year (net)	2,293,402	(2,076,506)
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Net addition to/(reduction in) equity shareholders' funds	2,500,017	(2,307,790)
Opening shareholders' deficit	(15,176,562)	(12,868,772)
	<hr/>	<hr/>
Closing shareholders' deficit	(12,676,545)	(15,176,562)
	<hr/>	<hr/>

Balance sheet
as at 31 March 2015

	Note	2015	2014
		£	£
Fixed assets			
Investment property	8	21,566,187	19,272,785
Current assets			
Debtors	9	2,242,855	1,838,954
Cash at bank and in hand		200,042	200,042
		<u>2,442,897</u>	<u>2,038,996</u>
Creditors: amounts falling due within one year	10	<u>(36,349,232)</u>	<u>(36,198,159)</u>
Net current liabilities		<u>(33,906,335)</u>	<u>(34,159,163)</u>
Total assets less current liabilities		<u>(12,340,148)</u>	<u>(14,886,378)</u>
Provisions for liabilities	11	<u>(336,397)</u>	<u>(290,184)</u>
Net liabilities		<u>(12,676,545)</u>	<u>(15,176,562)</u>
Capital and reserves			
Called up share capital	12	2	2
Revaluation reserve	13	(9,753,941)	(12,047,343)
Profit and loss account	13	<u>(2,922,606)</u>	<u>(3,129,221)</u>
Equity shareholders' deficit		<u>(12,676,545)</u>	<u>(15,176,562)</u>

The notes on pages 7 to 12 form part of these financial statements.

These financial statements were approved by the board of directors on 2 November 2015 and were signed on its behalf by:


BSE Freshwater
Director

Company registered number: 03605328

Notes

(forming part of the financial statements)

1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of investment properties as noted below.

The financial statements have been prepared on the going concern basis, notwithstanding the Company's net 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 ultimate 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 required 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.

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds a parent undertaking includes the Company in its own published consolidated financial statements.

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.

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' Acts 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 and amortisation are only two 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 year of the lease.

Sales of investment properties

It is the Company's business 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's profit on ordinary activities, and taxation applicable thereto is shown as part of the taxation charge.

Acquisitions and disposals of properties

Acquisitions and disposals of properties are accounted for at the date of unconditional exchange of contracts.

Notes (continued)

2 Accounting policies (continued)

Taxation

The charge for tax is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes that have arisen but not reversed at the balance sheet date, 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.

Related party transactions

The Company has taken advantage of the exemption contained in FRS 8 Related Party Disclosures and has therefore not disclosed transactions or balances with other group companies which are wholly owned by Daejan Holdings PLC.

Turnover

Turnover comprises rents and service charges receivable. Rental income from investment property leased out under operating leases is recognised in the profit and loss account on a straight line basis over the year to first break clause or reversion to market rent. Lease incentives granted to tenants are recognised on a straight line basis over shorter of the year to first break clause or reversion to market rent. Service charge income is recognised as the services are provided.

Property outgoing

The costs of repairs are recognised in the profit and loss account in the year in which they are incurred.

Lease payments under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease.

3 Net interest payable

	2015 £	2014 £
Group interest payable	1,410,000	1,426,000
Less: External interest receivable	(1,705)	(40)
	<u>1,408,295</u>	<u>1,425,960</u>

Notes (continued)

4 Notes to the profit and loss account

	2015 £	2014 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration:		
Audit of these financial statements	12,000	12,000

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Daejan Holdings PLC.

5 Remuneration of directors

None of the directors received remuneration in respect of their services to the Company (2014: nil).

6 Staff numbers and costs

The Company does not have any employees (2014: none).

The staff are provided by the property and administrative management company, Highdorn Co. Limited. Staff costs are borne by a fellow subsidiary of the Company and their costs subsequently recharged to the Company at a level appropriate to the activity of the Company. No recharges were made during the year (2014: nil).

7 Taxation

a) Analysis of credit for the year

	2015 £	2014 £
Current tax		
UK corporation tax credit for the year	52,680	68,475
Adjustments in respect of prior years	259,496	(19,146)
Total current tax	312,176	49,329
Deferred tax		
Origination and reversal of timing differences	(46,213)	(41,796)
Effect of change in tax rate	-	38,330
Other	-	7,146
Total deferred tax	(46,213)	3,680
Tax credit on loss on ordinary activities	265,963	53,009

Notes (continued)

7 Taxation (continued)

b) Factors affecting the tax credit for the year

The differences between the current tax credit for the year and a tax charge based on the standard rate of corporation tax in the UK are explained below:

	2015 £	2014 £
Loss on ordinary activities before tax	(59,348)	(284,293)
Current tax at the standard rate of corporation tax in the UK of 21% (2014: 23%)	12,463	65,387
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(2,100)	(2,070)
Capital allowances in excess of depreciation	42,317	5,158
Adjustments to tax charge in respect of prior year	259,496	(19,146)
Total current tax credit	312,176	49,329

c) Factors affecting future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

8 Investment property

	Freehold land and buildings £	Long leasehold land and buildings £	Total £
<i>At valuation</i>			
At 31 March 2014	11,767,785	7,505,000	19,272,785
Transfer	(500,000)	500,000	-
Revaluation	2,168,402	125,000	2,293,402
At 31 March 2015	13,436,187	8,130,000	21,566,187

The historical cost of investment properties at 31 March 2015 (included above at valuation) is £31,320,128 (2014: £31,320,128).

An independent professional revaluation of all of the Company's freehold and leasehold property was carried out on 31 March 2015 by Colliers International Property Advisers UK LLP, RICS Registered Valuers. The revaluation figures are based on open market value assessed in accordance with the RICS Valuation – Professional Standards (2014).

The aggregate professional valuations included in the above table have been reduced by an amount of £498,813 (2014: £532,215) relating to lease incentives included in debtors within rent and service charges due and accrued.

Notes (continued)

9 Debtors

	2015 £	2014 £
Rents and service charges due and accrued	551,427	594,916
Amount owed by parent undertaking	269,867	-
Amount owed by fellow subsidiary undertaking	175,631	-
Group relief receivable	819,962	835,757
Other debtors and prepayments	425,968	408,281
	<u>2,242,855</u>	<u>1,838,954</u>

10 Creditors: amounts falling due within one year

	2015 £	2014 £
Rents and service charges charged and paid in advance	335,247	319,677
Amounts owed to fellow subsidiary undertakings	35,492,193	35,435,648
Other taxation and social security	147,373	115,168
Other creditors and accruals	374,419	327,666
	<u>36,349,232</u>	<u>36,198,159</u>

11 Provisions for liabilities

	£
At 31 March 2014	290,184
Charges to the profit and loss for the year	46,213
	<u>336,397</u>
At 31 March 2015	<u>336,397</u>

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

No deferred tax asset has been recognised relating to the potential taxable loss that would arise upon the disposal of properties at the amount at which they are included in the financial statements; such asset is estimated at not more than £2,089,904 (2014: £2,499,059).

Notes (continued)

12 Called up share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2

13 Reserves

	Revaluation reserve £	Profit and loss account £	Total £
At 31 March 2014	(12,047,343)	(3,129,221)	(15,176,564)
Profit for the financial year	-	206,615	206,615
Revaluation surplus	2,293,402	-	2,293,402
At 31 March 2015	(9,753,941)	(2,922,606)	(12,676,547)

14 Contingent liabilities

Certain of the Company's properties have been charged as part security for loans to group undertakings, which the Company has also guaranteed, amounting to £15,125,000 (2014: £12,950,000) as at 31 March 2015.

15 Directors' interests in contracts

The majority of the day-to-day management of the Company's properties is carried out by Highdorn Co. Limited. Mr BSE Freshwater is a director of, but has no beneficial interest in the share capital of, Highdorn Co. Limited. During the year £51,638 (2014: £42,929) was charged by Highdorn Co. Limited for the provision of a full range of management services, which were charged at normal commercial rates. The outstanding creditor balance at 31 March 2015 was £76,155 (2014: £29,130).

16 Parent company and ultimate parent company

The Company is controlled by its immediate parent company, Daejan (UK) Limited.

The Company's ultimate controlling party is its ultimate parent company, 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 the Daejan Holdings PLC website (www.daejanholdings.com) or Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR. No other group financial statements include the results of the Company.