Company Registration No. SC186438

FUSION (WORTHING) LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2003

WESTON KAY
CHARTERED ACCOUNTANTS

73/75 Mortimer Street

London W1W 7SQ

FUSION (WORTHING) LIMITED
DIRECTORS AND ADVISERS

Directors	C Hancock P R Klimt
Secretary	M J Langridge
Company number	SC186438
Registered office	15 Atholl Crescent Edinburgh EH3 8HA
Auditors	Weston Kay 73/75 Mortimer Street London W1W 7SQ
Bankers	Bank of Scotland 38 Threadneedle Street London EC2P 2HL
Solicitors	Klimt & Co 49 Welbeck Street London W1G 9XN

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS
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FUSION (WORTHING) LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business
The principal activity of the company during the year has remained that of property investment.

Directors and their interests
The following directors have held office during the year:

P R Klimt	Appointed 07/04/2003
C Hancock	Appointed 19/03/2003
A McCrory	Resigned 19/03/2003
W C O'Hara	Resigned 19/03/2003
J C McMahon	Resigned 19/03/2003
P A Bradley	Resigned 19/03/2003
P J Cummings	Resigned 19/03/2003

The beneficial interests of the directors in the share capital of this company's ultimate holding company, Dawnay, Day Properties Limited, are reflected in the financial statements of that company.

Auditors
In accordance with section 385 of the Companies Act 1985 a resolution proposing that Weston Kay be re-appointed will be put to the Annual General Meeting.

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 group and of the profit or loss of the group 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;

- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the Special Provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board

C Hancock
Director
20 August 2004

FUSION (WORTHING) LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FUSION (WORTHING) LIMITED

We have audited the financial statements of Fusion (Worthing) Limited for the year ended 31 December 2003 on pages 3 to 11 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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
As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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.

We read the directors' report for the above year 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 United Kingdom 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 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Weston Kay

Weston Kay .
Chartered Accountants
Registered Auditor
73/75 Mortimer Street
London W1W 7SQ

20 August 2004

FUSION (WORTHING) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover		305,687	308,229
Other operating income		541	-
Administrative expenses		(13,016)	(16,923)
Operating profit	2	293,212	291,306
Other interest receivable and similar income	3	175	1,124
Interest payable and similar charges	4	-	40,437
Amounts written off development property		-	(238,634)
Profit on ordinary activities before taxation		293,387	94,233
Taxation on profit on ordinary activities	5	(82,559)	1,656
Profit on ordinary activities after taxation		210,828	95,889
Dividends		(86,000)	-
Retained profit for the year	12	124,828	95,889

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FUSION (WORTHING) LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£	£
Profit for the year	124,828	95,889
Unrealised surplus on revaluation of investment properties	252,200	-
Total recognised gains relating to the year	377,028	95,889

FUSION (WORTHING) LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2003

	Notes	2003	2003 £	2002	2002 £
Fixed Assets					
Tangible fixed assets	6		4,952,200		4,700,000
Current assets					
Debtors	7	49,449		161,553	
Cash at bank and in hand		124		651	
		49,573		162,204	
Creditors: amounts falling due within one year	8	(4,488,297)		(312,931)	
Net current liabilities			(4,438,724)		(150,727)
Total assets less current liabilities			513,476		4,549,273
Creditors: amounts falling due after more than one year	9		-		(4,442,908)
Provisions for liabilities and charges	10		(30,083)		-
Net assets			483,393		106,365
Capital and reserves					
Called up share capital	11		100		100
Revaluation Reserve	12		252,200		-
Profit and loss account	12		231,093		106,265
Equity shareholders' funds	13		483,393		106,365

These financial statements have been prepared in accordance with the Special Provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the board on 20 August 2004.

C Hancock
Director

1 Accounting policies

1.1 Accounting convention
These financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings and include the results of the company's operations as indicated in the directors' report, all of which are continuing.

1.2 Cash flow statement
The company has taken advantage of the exemption in Financial Reporting Standard 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.3 Turnover
Turnover represents amounts receivable for rent.

1.4 Tangible fixed assets and depreciation
Investment properties are valued regularly and the surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of investment properties; this constitutes a departure from the statutory rules requiring fixed assets to be depreciated over their useful economic lives and, in the directors' view, is necessary to enable the financial statements to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount that might otherwise have been shown cannot be separately identified or quantified.

1.5 Deferred taxation
Deferred tax is provided in full in respect of taxation deferred by timing differences at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise because of the treatment of certain items for taxation and accounting purposes. The company does not intend to discount deferred tax balances where they arise.

1.6 Loans
The financing for the property is held by the parent company. The subsidiary reflects its share of the funding via the intercompany loan account with the parent and this is included in creditors falling due within one year. Loan interest payable is included in the financial statements of the parent company.

1.7 Group relief for corporation tax
The company does not pay for group relief given on losses surrendered by fellow group members where there are no minority shareholders. Any losses surrendered to other group companies where there are no minority shareholders are not paid for by the company receiving the relief. All other group relief is paid for at the appropriate corporation tax rate.

2 Operating profit

	2003	2002
	£	£
Operating profit is stated after charging:		
Auditors' remuneration	2,500	2,500

3 Other interest receivable and similar income

	2003 £	2002 £
Bank interest	175	1,124

4 Interest payable and similar charges

	2003 £	2002 £
On bank loans and overdrafts	-	314,681
Other interest	-	(355,118)
	-	(40,437)

5 Taxation

(a) Analysis of the charge in year

	2003 £	2002 £
U. K. current year taxation		
U. K. corporation tax at 30%	30,000	(1,656)
Adjustments in respect of previous years	22,476	-
Current tax charge	52,476	(1,656)
Deferred taxation	30,083	
	82,559	(1,656)

(b) Factors affecting tax charge for the year

The tax charged assessed is lower than that resulting from applying the standard rate of corporation tax in the U. K. 30% (2002 – 30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before taxation	293,387	94,233
Tax at 30% thereon	88,016	28,270
Plus/(less) the effects of:		
Excess of capital allowances over depreciation	(16,762)	(13,322)
Group relief not paid for	(28,148)	-
Adjustments in respect of previous years	22,476	(7,628)
Losses utilised	(13,106)	-
Other timing difference	-	(8,976)
Current tax charge	52,476	(1,656)

6 Tangible fixed assets

Investment property

	Investment property £
Cost or valuation	
At 1 January 2003	4,700,000
Revaluation	252,000
At 31 December 2003	4,952,200

The valuation of investment property was made as at 31 December 2003 by the directors of the company, on an open market basis. No depreciation is provided in respect of this property.

On an historical cost basis the property would have been included at an original cost of £4,700,000 (2002 - £4,700,000).

7 Debtors

	2003 £	2002 £
Trade debtors	-	85,017
Other debtors	49,449	76,536
	49,449	161,553

8 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	1,499	-
Taxation and social security costs	68,871	18,563
Amounts owed to group undertakings	4,333,041	-
Other creditors and accruals	84,886	294,368
	4,488,297	312,931

9 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Bank loans	-	4,442,908
Analysis of loans		
Wholly repayable within five years	-	4,442,908
Loan maturity analysis		
Between two and five years	-	4,442,908

The aggregate amount of creditors for which security has been given amounted to £Nil (2002- £4,442,908).

10 Provision for liabilities and charges

Deferred tax at 30% (2002 - 30%) on timing differences provided in the financial statements is as follows:

	2003	2002
	£	£
At 1 January 2003	-	-
Charge to profit and loss account	30,083	-
At 31 December 2003	30,083	-

The amounts of deferred tax provided is as follows:

	2003	2002
	£	£
Capital allowances in excess of depreciation	30,083	13,106
Losses available	-	(13,106)
	30,083	-

If the investment properties held at the year end were to be sold, this would result in an additional tax charge of £17,850 (2002 - £Nil).

11 Share capital

	2003	2002
	£	£
Authorised		
50 "A" Ordinary shares of £ 1 each	50	50
50 "B" Ordinary shares of £ 1 each	50	50
	100	100
Allotted, called up and fully paid		
50 "A" Ordinary shares of £ 1 each	50	50
50 "B" Ordinary shares of £ 1 each	50	50
	100	100

12 Statement of movements on reserves

	Revaluation reserve	Profit and loss account
	£	£
Balance at 1 January 2003	-	106,265
Retained profit for the year	-	124,828
Revaluation in the year	252,200	-
Balance at 31 December 2003	252,200	231,093

13 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	124,828	95,889
Other recognised gains and losses	252,200	-
Net addition to shareholders' funds	377,028	95,889
Opening shareholders' funds	106,365	10,476
Closing shareholders' funds	483,393	106,365

14 Transactions with directors

P R Klimt is a consultant to Klimt & Co, Solicitors, who provide legal services to the group on normal commercial terms.

15 Contingent liabilities

The company has cross guarantees in place with other group companies to secure group loans against their investment properties.

16 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard number 8 from the requirement to make disclosures concerning group companies, since the results of this company are to be included in the consolidated financial statements of Dawnay, Day Properties Limited.

Included within other creditors are accruals of £1,916 (2002 - £Nil) relating to property management fees payable to Dawnay, Day Property Investment Limited.

During the year property management fees of £9,581 (2002 - £Nil) were charged by Dawnay, Day Property Investment Limited.

P R Klimt is a director of and has a material interest in Dawnay, Day Property Investment Limited.

17 Controlling parties

The controlling party is P R Klimt.

18 Ultimate parent company

The ultimate parent company is Dawnay, Day Properties Limited, a company registered in England and Wales.