

HENRY DAVIES (HOLBORN) LIMITED

Company No: 501607

FINANCIAL STATEMENTS

for the year ended

31 MARCH 1998

**COHEN, ARNOLD & CO
CHARTERED ACCOUNTANTS
REGISTERED AUDITOR
LONDON W1X 2JP**



HENRY DAVIES (HOLBORN) LIMITED

DIRECTORS

B S E Freshwater
L Stempel

SECRETARY

C C Morse F.C.I.S.

REGISTERED OFFICE

13-17 New Burlington Place
Regent Street
LONDON W1X 2JP

AUDITORS

Cohen, Arnold & Co
13-17 New Burlington Place
Regent Street
LONDON W1X 2JP

HENRY DAVIES (HOLBORN) LIMITED
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FOR THE YEAR ENDED 31 MARCH 1998

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HENRY DAVIES (HOLBORN) LIMITED

DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report together with the audited Financial Statements of the Company for the year ended 31 March 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is investment in listed securities.

Throughout the year the Company has pursued its traditional activities and there has been no significant change in the business, nor is any envisaged in the immediate future.

RESULTS AND DIVIDEND

The financial results of the Company's activities for the year ended 31 March 1998, are fully reflected in the attached Financial Statements together with the Notes thereon.

The Directors recommend the payment of a dividend of £639,000 (1997 : £527,000) for the year under review.

INVESTMENTS

In the light of the overall increase in the quoted price of the shares in Daejan Holdings PLC since acquisition, which comprise the Company's investments, the Directors have decided that they should continue to be included in the Financial Statements at a figure which more accurately reflects their current value. Accordingly, at 31 March 1998, the holding is included at the then middle market price and the increase in value, after accounting for the relevant deferred taxation liability, has been transferred to Revaluation Reserve.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served throughout the year, and who are still in office, are:

Mr B S E Freshwater
Mr L Stempel

The Articles of Association do not require Directors to retire by rotation.

The Directors do not have Service Contracts, nor do they receive any emoluments from the Company.

The whole of the Issued Share Capital of the Company is owned by Norman Sinclair (Properties) Limited, a wholly-owned subsidiary undertaking of Highdorn Co. Limited, a Company of which Mr B S E Freshwater is also a director and in which he has a non-beneficial interest in fifty shares out of the total issued ordinary share capital of one hundred shares. Another member of the Freshwater Family is beneficially interested in the remaining fifty shares. Mr L Stempel is also a director of Highdorn Co. Limited but has no interest in its Share Capital.

The Directors do not have any beneficial interest in the Company, the Company's Parent Undertaking or any Subsidiary of the Company's Parent Undertaking.

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 its profit or loss for that period. In preparing the Financial Statements, the Directors are required to:

HENRY DAVIES (HOLBORN) LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES (Cont.)

- i) select suitable accounting policies and apply them consistently
- ii) make judgements and estimates that are reasonable and prudent
- iii) follow applicable Accounting Standards, subject to any material departures disclosed and explained in the Financial Statements
- iv) 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 maintaining 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.

YEAR 2000

The Company is in the process of assessing the impact of the Year 2000 issue on its reporting systems and operations. The Year 2000 issue arises because many computer systems and applications currently use 2-digit fields to designate a year. Consequently, certain data sensitive systems may therefore recognise the Year 2000 as 1900 or not at all, resulting in the applications not functioning or not operating correctly.

The Company's plans are well advanced to address the impact of the Year 2000 issue. Work has been completed on the core financial and business information systems, and is progressing according to schedule in respect of other operational systems.

The Directors are satisfied that on-going reviews are appropriate to ensure that the Company's operations will not be adversely affected by the Year 2000 issue. It is envisaged that the financial costs of compliance are not significant to the Company.

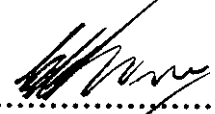
TAXATION STATUS

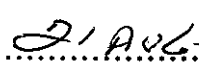
So far as the Directors are aware, the Company is a "close company" within the meaning of the provisions of Section 414 Taxes Act, 1988.

AUDITORS

A resolution will be proposed at the Annual General Meeting that Messrs Cohen, Arnold & Co, Chartered Accountants, are to be reappointed Auditors of the Company and that their remuneration is to be determined by agreement with the Directors.

By Order of the Board


.....
C.C. Morse Secretary


..... 21 AUG. 1998

HEAD OFFICE
Freshwater House
158-162 Shaftesbury Avenue
LONDON WC2H 8HR

REPORT OF THE AUDITORS, COHEN, ARNOLD & CO.

TO THE MEMBERS OF

HENRY DAVIES (HOLBORN) LIMITED

We have audited the Financial Statements on pages 4 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As indicated in the Directors' Report, 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 the Financial Statements and to report our opinion to you.

BASIS OF OPINION

We have 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 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 and to give reasonable assurance that the Financial Statements are free from material mis-statement, 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 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.

London

Date: 21 AUG 1998



COHEN, ARNOLD & CO
Chartered Accountants and
Registered Auditor

HENRY DAVIES (HOLBORN) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1998

	Note	<u>1998</u> £	<u>1997</u> £
Income from Fixed Asset Investments - Dividends Receivable		991,221	846,164
Administrative Expenses	2	(932)	(938)
OPERATING PROFIT		990,289	845,226
Interest Payable	3	(221,760)	(221,760)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		768,529	623,466
Taxation	4	(128,844)	(96,432)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		639,685	527,034
Proposed Dividend		(639,000)	(527,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR		685	34
Retained Profit Brought Forward		6,272	6,238
RETAINED PROFIT CARRIED FORWARD	10	£6,957	£6,272

None of the Company's activities was acquired or discontinued during the financial year nor in the previous year.

The notes on pages 7 to 11 form part of these Financial Statements.

HENRY DAVIES (HOLBORN) LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 1998

	<u>1998</u> £	<u>1997</u> £
Retained Profit for the Financial Year	685	34
Unrealised Surplus on Revaluation of Listed Investments after Provision for Deferred Taxation Liability	4,020,000	3,848,000
Total Recognised Gains for the Year	£4,020,685	£3,848,034

HENRY DAVIES (HOLBORN) LIMITED

BALANCE SHEET AS AT 31 MARCH 1998

	Note	£	<u>1998</u>	£	<u>1997</u>	£
FIXED ASSETS						
Investments	1, 5 & 8		32,541,000		27,416,000	
CURRENT ASSETS						
Debtors	6	372,297		290,633		
Cash at Bank		11,950		733		
		384,247		291,366		
CREDITORS: Amounts falling due within one year	7	(2,240,344)		(2,148,148)		
NET CURRENT LIABILITIES			(1,856,097)		(1,856,782)	
TOTAL ASSETS LESS CURRENT LIABILITIES						
			30,684,903		25,559,218	
PROVISION FOR LIABILITIES AND CHARGES						
Deferred Taxation	8		(7,843,000)		(6,738,000)	
NET ASSETS			£22,841,903		£18,821,218	
CAPITAL AND RESERVES						
Called up Share Capital	9		100		100	
Revaluation Reserve	10		22,719,592		18,699,592	
Other Reserves	10		115,254		115,254	
Profit and Loss Account	10		6,957		6,272	
			£22,841,903		£18,821,218	

The Financial Statements were approved by the Board on 21 AUG, 1998
and signed on its behalf by

.....
B S E Freshwater

Directors

.....
L Stempel

The notes on pages 7 to 11 form part of these Financial Statements.

HENRY DAVIES (HOLBORN) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in the preparation of the Company's Financial Statements.

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the Historical Cost Convention, with the exception of listed investments which are included at middle market value at 31 March 1998.

1.2 DEFERRED TAXATION

Deferred taxation is provided in respect of all timing differences using the liability method, other than those where, in the opinion of the Directors, there is no reasonable probability that a taxation liability will arise in the foreseeable future.

1.3 CASH FLOW STATEMENT

The company is exempted from the requirement to prepare a Cash Flow Statement (in accordance with Financial Reporting Standard No 1) on the basis of its being a "small company" as defined by Section 247 Companies Act 1985.

2. ADMINISTRATIVE EXPENSES

	<u>1998</u>	<u>1997</u>
	£	£
Auditors' Remuneration	920	920
General Expenses	12	18
	£932	£938

The Directors of the Company received no emoluments from the Company in the year or in the previous year.

Apart from the Directors, there were no other employees of the Company during the year or in the previous year.

HENRY DAVIES (HOLBORN) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

3. INTEREST PAYABLE

	<u>1998</u>	<u>1997</u>
	£	£
Interest on Loan from Connected Company	£221,760	£221,760
	<u> </u>	<u> </u>

4. TAXATION

The taxation charge in the Profit and Loss Account comprises:

	<u>1998</u>	<u>1997</u>
	£	£
Taxation Attributable to Dividends Received		
Current Year	198,244	169,232
Consideration Receivable for Group Relief (Note 6)		
Current Year	(69,000)	(73,000)
Prior Year Adjustment	400	200
	<u> </u>	<u> </u>
	£128,844	£96,432
	<u> </u>	<u> </u>

5. INVESTMENTS

Listed Investments

	£
Shares at Cost	1,978,408
Revaluation Surplus Brought Forward	
at 1 April 1997	25,437,592
Revaluation Surplus for the Year (Note 10)	5,125,000
	<u> </u>
Shares at Market Value at 31 March 1998	£32,541,000
	<u> </u>

Full provision has been made in the financial statements for the potential Corporation Tax which would arise on the sale of the investments at the amount at which they are included in the financial statements. It is estimated that such liability would amount to £7,843,000 and is accounted for as a reserve movement (notes 8 and 10).

HENRY DAVIES (HOLBORN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

6. DEBTORS

	<u>1998</u>	<u>1997</u>
	£	£
Consideration Receivable for Group Relief (Note 4)	69,000	73,000
Amount due from Immediate Parent Undertaking	232,713	217,633
Amount due from Ultimate Parent Undertaking	70,584	-
	£372,297	£290,633

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1998</u>	<u>1997</u>
	£	£
Amount due to Ultimate Parent Undertaking	-	19,801
Amounts due to Fellow Subsidiary Undertakings (see below)	122,001	122,001
Amount due to Connected Company (see below)	1,478,408	1,478,408
Proposed Dividend	639,000	527,000
Creditors and Accruals	935	938
	£2,240,344	£2,148,148

- a. The amount due to Connected Company represents a loan which bears interest at 15% per annum and is effectively repayable on demand.
- b. The amounts due to Fellow Subsidiary Undertakings are interest free and effectively repayable on demand.

8. DEFERRED TAXATION

Deferred Taxation provided in the financial statements is as follows:

	<u>1998</u>	<u>1997</u>
	£	£
Taxation on Revaluation Surplus of Listed Investments:		
Brought Forward at 1 April 1997	6,738,000	4,929,000
Movement in Provision for the Year (Note 10)	1,105,000	1,809,000
<u>Carried Forward at 31 March 1998</u>	£7,843,000	£6,738,000

HENRY DAVIES (HOLBORN) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

12. CONTINGENT LIABILITIES

The Company has given an unlimited guarantee to the bankers of its Ultimate Parent Undertaking, in respect of which the amount outstanding at 31st March 1998 was £Nil (1997: £Nil).

The aforementioned company has in turn given an unlimited guarantee in respect of bank loan and overdraft facilities granted to the undermentioned.

	<u>1998</u> £	<u>1997</u> £
Companies connected with a director	37,022	40,310
Third Parties	267,588	545,272
	£304,610	£585,582