

**MONTESSAN CO. LIMITED**

Company No 602307

**FINANCIAL STATEMENTS**

**for the year ended**

**31 DECEMBER 2006**



**COHEN ARNOLD  
CHARTERED ACCOUNTANTS  
REGISTERED AUDITORS  
LONDON NW11 0PU**

**MONTESSAN CO. LIMITED**

**DIRECTORS**

Mr B S E Freshwater  
Mr D Davis

**SECRETARY**

Mr M R M Jenner F C I S

**REGISTERED OFFICE**

Freshwater House  
158-162 Shaftesbury Avenue  
LONDON WC2H 8HR

**AUDITORS**

Cohen Arnold  
New Burlington House  
1075 Finchley Road  
LONDON NW11 0PU

**BANKERS**

Barclays Bank Plc  
Mile End and Bow Branch  
240, Whitechapel Road  
LONDON E1 1BS

**MONTESAN CO. LIMITED**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

Page

1 - 2	Directors' Report
3 - 4	Auditors' Report
5	Profit and Loss Account
6	Balance Sheet
7 - 11	Notes to the Financial Statements

**MONTESSAN CO. LIMITED**  
**REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31 December 2006

**BUSINESS REVIEW**

The principal activity of the Company is that of share dealing. there has been no significant change in the nature of the Company's business activities during the year under review

The financial results of the Company's activities for the year ended 31 December 2006 are fully reflected in the attached Financial Statements together with the Notes thereon

An Interim Dividend of £107,000 has been paid in respect of the year (2005 £88,000) and the Directors do not recommend the payment of a Final Dividend (2005 £Nil)

**DIRECTORS AND DIRECTORS' SHAREHOLDINGS**

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

Mr B S E Freshwater  
Mr D Davis

The whole of the issued share capital of the Company is owned by Freshwater Family Enterprises Limited

The Ultimate Parent Undertaking is Linnet Limited, a Company incorporated in the Isle of Man and controlled by Trusts

**DIRECTORS' INTERESTS IN CONTRACTS**

Day-to-day management of the Company is carried out by Highdorn Co Limited, a company in which Mr B S E Freshwater is a director and has a non-beneficial interest in its share capital

**DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 year

In preparing those Financial Statements, the Directors are required to select suitable accounting policies, as described on pages 7 and 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The Directors must also prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

**MONTESSAN CO. LIMITED**

**REPORT OF THE DIRECTORS**

**DIRECTORS' RESPONSIBILITIES (Continued)**

The Directors are responsible for keeping proper accounting records that 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. The Directors 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.

In so far as the Directors are aware

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.


**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, Chartered Accountants, be reappointed Auditors of the Company and that their remuneration be determined by agreement with the Directors.

**BY ORDER OF THE BOARD**



.....  
**M R M JENNER**  
**SECRETARY**

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

27/3/ 2007

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF**

**MONTESSAN CO. LIMITED**

We have audited the Financial Statements of Montessan Co Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The Financial Statements have been prepared on the basis of 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 THE DIRECTORS AND THE AUDITORS**

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

**INDEPENDENT AUDITORS' REPORT**  
**(Continued)**

**TO THE SHAREHOLDERS OF**  
**MONTESSAN CO. LIMITED**

**OPINION**

In our opinion

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31st December 2006 and of its results for the year then ended,
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements



London

Date 27/3 / 2007

COHEN ARNOLD  
Chartered Accountants and  
Registered Auditors

**MONTESSAN CO. LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	<u>2006</u> £	<u>2005</u> £
Income from Listed Investments		95,396	87,607
Surplus on Sale of Investments	2	18,011	2,700
Administrative Expenses		(1,837)	(1,765)
		-----	-----
<b>OPERATING PROFIT</b>		111,570	88,542
Interest Payable	3	-	(48)
		-----	-----
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	111,570	88,494
Taxation	5	(4,500)	(300)
		-----	-----
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		107,070	88,194
		-----	-----

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

The Company has no recognised gains or losses other than those reflected in the above Profit and Loss Account for the financial year nor for the previous year

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



**MONTESSAN CO. LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2006**

	Note	<u>2006</u> £	<u>2005</u> £
<b>CURRENT ASSETS</b>			
Investments	6 & 10	72,620	72,620
Debtors	7	246,808	247,543
Cash at Bank		6,564	8,229
		<hr/>	<hr/>
		325,992	328,392
<b>CREDITORS: Amounts falling due within one year</b>	<b>8</b>	<b>(297,145)</b>	<b>(299,615)</b>
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>28,847</b>	<b>28,777</b>
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up Share Capital	9	500	500
Profit and Loss Account	10	28,347	28,277
		<hr/>	<hr/>
		28,847	28,777
		<hr/>	<hr/>

The Financial Statements were approved by the Board on  
and signed on its behalf by

27/3/ 2007

.....  
**B S E FRESHWATER**  
**DIRECTOR**

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

**MONTESSAN CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**1. 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

**1 1 BASIS OF ACCOUNTING**

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards

**1 2 CURRENT TAX**

In accordance with Financial Reporting Standard No 16 - Current Tax, the Company's Financial Statements include dividends payable or receivable at an amount that excludes attributable tax credits

**1 3 DEFERRED TAXATION**

The Financial Statements have been prepared in accordance with Financial Reporting Standard No 19 - Deferred Tax (FRS19) Under FRS19, full provision is required in respect of all material timing differences arising from transactions or events which have occurred by the Balance Sheet date and which result in the Company having an obligation to pay more tax in future

**1 4 INVESTMENTS**

The Investments held for trading purposes are shown at the lower of cost and net realisable value

**1 5 EVENTS AFTER BALANCE SHEET DATE**

During the year the Company adopted Financial Reporting Standard No 21- Events after the balance sheet date, which superseded SSAP17 Under the new standard, final dividends payable are recognised only in the period in which they are declared and therefore become a liability and interim dividends are recognised in the period in which they are paid, whereas under SSAP 17 dividends were accrued for when proposed

**1 6 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 grounds that it is a wholly-owned subsidiary undertaking of an intermediate parent undertaking which prepares Consolidated Financial Statements that include a Consolidated Cash Flow Statement

**MONTESSAN CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**1. ACCOUNTING POLICIES(Continued)**

**1.7 FINANCIAL INSTRUMENTS**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**2. SURPLUS ON SALE OF INVESTMENTS**

The surplus on sale of investments relates to cash receivable on capital redemption.

**3. INTEREST PAYABLE**

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Bank Charges	-	48
	_____	_____

**4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The Profit on Ordinary Activities before Taxation is stated after charging the following:

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Auditors' Remuneration	1,500	1,500
	_____	_____

The Directors of the Company received no emoluments from the Company during 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.

**5. TAXATION**

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
The Charge in the Profit and Loss Account comprises		
Consideration Payable for Group Relief	4,500	300
	_____	_____

**MONTESSAN CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**5. TAXATION (Continued)**

	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	111,570	88,494
Profit on ordinary activities at the standard rate of 30% (2005 30%)	33,471	26,548
Non-Taxable Income	(28,618)	(26,282)
Other Differences	(353)	34
	<u>4,500</u>	<u>300</u>

**6. INVESTMENTS HELD AS CURRENT ASSETS**

	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
<b>Listed Investments</b>		
Cost at 1 January 2006	72,620	72,621
Disposal during the year	-	(1)
Cost at 31 December 2006	<u>72,620</u>	<u>72,620</u>

Listed Investments comprise investments listed on the London Stock Exchange, the market value of which at 31 December 2006 amounted to £8,010,056 (2005 £5,254,152)

**7. DEBTORS**

	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
Loan Debtor (see below)	246,808	247,043
Consideration Receivable for Group Relief	-	500
	<u>246,808</u>	<u>247,543</u>

**MONTESSAN CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**7. DEBTORS (Continued)**

The Loan Debtor represents an amount due from Highdorn Co Limited, a company in which Mr B S E Freshwater is a director and in which he has a non-beneficial interest in its share capital. The loan is interest free and effectively repayable on demand.

**8. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Amount Due to Parent Undertaking	290,845	297,815
Sundry Creditors and Accruals	1,500	1,500
Consideration Payable (Note 5)	4,800	300
	<hr/>	<hr/>
	297,145	299,615
	<hr/>	<hr/>

**9. CALLED UP SHARE CAPITAL**

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Authorised, Allotted, Called up and Fully Paid 500 Ordinary Shares of £1 each	500	500
	<hr/>	<hr/>

**10. PROFIT AND LOSS ACCOUNT**

	<u>£</u>
Balance at 1 January 2006	28,277
Profit for the year	107,070
Dividends paid	(107,000)
	<hr/>
Balance at 31 December 2006	28,347
	<hr/>

**MONTESAN CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**11. CHARGES ON ASSETS**

Certain of the Company's Listed Investments with a book value of £72,598 (2005 £72,598) have been charged as part security for Bank Loan and Overdraft Facilities granted to Metropolitan Properties Company Limited, a Subsidiary of an Intermediate Parent Undertaking which at 31 December 2006 amounted to £18 0 million (2005 £19 8million) An unlimited guarantee has also been given in connection therewith

**12. DIRECTORS' INTERESTS IN CONTRACTS**

Day-to-day management of the Company is carried out by Highdorn Co Limited, a Company in which Mr B S E Freshwater is a Director and has a non-beneficial interest in its share capital. During the year £235 (2005 £235), including VAT, was payable to Highdorn Co Limited for the full range of management and administrative services which were charged for at normal commercial rates

The majority of the Dividends receivable from Listed Investments relate to Daejan Holdings Plc, a company in which Mr B S E Freshwater and Mr D Davis are directors and are also interested in its share capital

**13. ULTIMATE PARENT UNDERTAKING AND CONTROL**

The Company is controlled by way of Freshwater Family Enterprises Limited, by Centremanor Limited, a company registered in England

Centremanor Limited is, in turn, controlled by the Ultimate Parent Undertaking, Linnet Limited, a Company incorporated in the Isle of Man and which itself is controlled by Trusts