

Deejan Holdings PLC

Annual Report 1987

1. The company is a public limited company, incorporated in England and Wales, with its registered office at the Companies House, London EC4A 3DF.
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Directors and Advisers

DIRECTORS

B S E Freshwater
(Chairman and Managing Director)
D Davis
S I Freshwater

SECRETARY

H E Severn, F.C.I.S.

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

Registrars

Lloyds Bank Plc,
Registrar's Department,
Goring-by-Sea,
Worthing, West Sussex BN12 6DA

Auditors

Peat Marwick McLintock,
1 Puddle Dock,
Blackfriars,
London EC4V 3PD

Consulting Accountants

Cohen, Arnold & Co.,
13-17 New Burlington Place,
London W1X 2JP

Principal Bankers

Barclays Bank PLC
Lloyds Bank Plc
National Westminster Bank PLC
International Westminster Bank PLC

Stock Brokers

Kleinwort Grieveson Securities Limited,
20 Fenchurch Street,
London EC3P 3DB



Notice of Meeting

Notice is hereby given that the **Fifty second Annual General Meeting of Daejan Holdings PLC** will be held at The Presidents' Committee Room CBI, 1st Floor, Centre Point, New Oxford Street, London WC1, on **Monday 14th September 1987 at 12 noon**, for the following purposes:-

1. To receive the Accounts for the year ended 31st March 1987 together with the Reports of the Directors and the Auditors. (Resolution 1)
2. To declare a final dividend. (Resolution 2)
3. To re-elect Mr David Davis as a Director. (Resolution 3)
4. To re-appoint Peat Marwick McLintock as Auditors and to authorise the Directors to determine their remuneration. (Resolution 4)

By Order of the Board,
H E Severn, Secretary
10th August 1987

A Member entitled to attend and vote may appoint one or more proxies to attend, and on a poll, to vote instead of him.

A proxy need not be a Member of the Company. To be valid, forms of proxy must be received by the Company's Registrars at least 48 hours before the time fixed for the Meeting.

The recommended final dividend will, if approved, be paid on 14th September 1987 to Shareholders registered at the close of business on 14th August 1987.

No Director has a service contract which cannot be terminated by less than twelve months' notice.

Results at a glance

	Year ended 31st March	
	1987	1986
	£000	£000
Pre-tax Profits	18,332	10,100
Net Profits	12,474	7,100
Earnings per Share	76.38p	34.45p
Dividends per Share	17.0p	12.0p
Final Dividend of 12.0p per share payable on 14th September 1987		

Revaluation Surpluses over book values:-

	£000
Investment Properties	47,330
Trading Properties	74,225

Chairman's Statement

It gives me great pleasure to present to you the attached Report and Accounts for the year ended 31 March 1987, which mark yet another milestone in the Company's history. Not only have profits and earnings per share achieved new record levels but, following the revaluation of the property portfolio, assets have advanced to almost £9 per share based on the figures incorporated into the balance sheet, and to well over £13 per share if the surplus on trading properties is taken into account. As noted on page 20 net assets have for the first time in the Group's history exceeded £200 million and this growth has been achieved without resort to the issue of additional share capital.

The professional property revaluation revealed a surplus of £121 million of which only the £47 million appertaining to the property investment portfolio has been incorporated into the accounts. The balance of £74 million is attributable to the trading properties which continue to appear in the accounts at cost.

The charts on page 19 show an analysis of our portfolio under various headings. The type and location of the properties provide a sound base for future income and capital growth, whilst the sheer number and diversity is a useful hedge against a possible weakening of the property market within any specific location. It is also significant that our holdings in the USA now form a meaningful proportion of the total portfolio and have shown a satisfactory revaluation surplus.

Gross rents for the year under review, reached a record level of £21.9 million and after deducting all property outgoings resulted in a net rental income in excess of £10 million. Included in property outgoings is expenditure of over £5 million on repairs and renovations mainly to our residential portfolio. This is in line with our desire both to provide a good standard of accommodation and also to maintain the quality of the portfolio.

A significant feature of the financial strength of the Group is the fact that our net rental income is now double our financing charges and other expenses, and

the anticipated rental growth from our present holding is expected to yield further improvement in this direction. This is particularly welcome to us as it is part of our long term strategy that investment income should provide a more and more meaningful element of our annual profits.

One of our important areas of expertise is investment in and management of residential property. Our holding in the United Kingdom of this type of property represents 42 per cent. of our total portfolio and we have the resources and management structure to facilitate an expansion in this area. We strongly feel that the improved availability of homes to rent would be of considerable benefit nationally for those seeking mobility of employment and for those others who, for a variety of reasons, wish to rent but are presently not free to do so. It is pleasing to note that this view is now shared by the Government in their recently announced policy of reviving the private rented sector by ensuring that individuals have a "right to rent" as well as to buy a home. In our view, however, it will be difficult to achieve this admirable aim without a practical reassessment of all current legislation affecting landlord and tenant. The undue haste with which the Landlord and Tenant Act 1987 was rushed through Parliament has resulted in a further piece of impractical legislation which, if not reappraised, will exacerbate and further strain the landlord and tenant relationships that Government have stated they wish to see improved.

Our progress so far during the current year has been most encouraging and I am confident of being able to report again next year a further set of gratifying results.

As well as our investment in property we also have an invaluable human investment in our directors, executives and staff and I am pleased to report that this investment has again fulfilled our expectations. Our sincere thanks go to all those who have contributed to this year's record results.



BSE FRESHWATER

Directors' Report

Directors' Report

The Directors have pleasure in presenting their Report together with Balance Sheets of the Company and of the Group as at 31st March 1987 and the Consolidated Profit and Loss Account of the Group for the year ended on that date.

Principal Activities of the Group

Daejan Holdings PLC is a holding company whose principal activities, carried on through its subsidiary companies, are property investment and trading, with some development also being undertaken. The major part of the Group's property portfolio comprises commercial, industrial and residential premises throughout the United Kingdom. Some subsidiary companies are incorporated in the United States of America and undertake property investment and trading in that country.

Properties

A professional revaluation of the whole of the Group's property portfolio in both the United Kingdom and the United States of America was carried out as at 1st January 1987. The figures relating to investment

properties have been incorporated into the Accounts now presented and the surplus of £47.3 million over previous book values has been transferred to Revaluation Reserve.

The revaluation of properties held for trading and development including those held through shares in U.S. co-operative corporations produced a surplus of £74.2 million over book values, but this has not been taken to the Accounts.

A diagrammatic analysis of the portfolio by tenure, use and location is set out on page 19.

Results and Dividend

The net earnings for the year, after all charges and appropriations, amounted to £11,816,000. An Interim Dividend of 5p per share was paid on 19th March 1987 and the Directors now recommend the payment of a Final Dividend of 12p per share, making a total for the year of 17p per share. The dividends will absorb £2,770,000 and will leave £9,046,000 to be added to retained profits.

A review of the activities of the Group is contained in the Chairman's Report on page 3.

An analysis of the Group's turnover and profit before taxation for the year is as follows:-

	Turnover		Profit	
	U.K.	U.S.A.	U.K.	U.S.A.
	£000	£000	£000	£000
Rents and Charges	20,921	990	9,970	88
Sales of Properties	15,228	408	12,384	290
Other Activities (including share of U.S.A. partnership profits)			85	540
	<u>£36,149</u>	<u>£1,398</u>	22,439	918
Financing Charges (net)			(2,427)	(384)
Administrative and Other Expenses			(1,885)	(329)
			18,127	<u>£205</u>
Profit before taxation			<u>£18,332</u>	

DIRECTORS

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

Mr B S E Freshwater

Mr D Davis

Mr S I Freshwater

The Director retiring by rotation is Mr D Davis who, being eligible, offers himself for re-election. Mr Davis does not have a service contract.

Directors' Interests in Contracts

Day-to-day management of the Group's properties in the United Kingdom is carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies and Mr B S E Freshwater is also interested in the share capital of Highdorn Co. Limited. Mr B S E Freshwater and Mr D Davis are also Directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company.

Mr B S E Freshwater and companies controlled by the Freshwater family and trusts have on occasions guaranteed borrowings of the Company and its subsidiaries.

Mr S I Freshwater has a small beneficial interest in the parent company of Residential Management Inc., the corporation which manages the Group's properties and interests in the United States of America.

The only other contracts in which Directors were interested were those entered into in the normal course of business.

Substantial Interests

Set out on page 6 are details of the interests of Directors and their families and family trusts in the Company's shares.

The only other interests notified to the Company are those of the Trustees of the B S E Freshwater and S I Freshwater Settlements, who are interested in 1,645,000 shares and 1,500,000 shares; respectively, as trustees only and with no beneficial interest. These are part of the shares referred to in Note 2 to the table on page 6.

Income and Corporation Taxes Act 1970

The Directors are advised that the Company is a Close Company within the meaning of the Act.

Capital Gains Tax

For the purpose of computing Capital Gains Tax the market value of the Company's Shares was 49½p on 6th April 1965, and 189p on 31st March 1982.

Charitable Donations

During the year the Company and its subsidiaries made charitable donations totalling £60,000 net under Deed of Covenant.

Auditors

At the Company's last Annual General Meeting, Peat, Marwick, Mitchell & Co were re-appointed as Auditors of the Company. They are now practising under the name of Peat Marwick McLintock and, accordingly, they have signed the Audit Report in their new name.

A resolution will be proposed at the Annual General Meeting to re-appoint Peat Marwick McLintock as Auditors and to authorise the Directors to determine their remuneration.

Directors' Report

continued

Holdings of Directors and their families and trusts in shares of the Company

Daejan Holdings PLC Ordinary Shares

31st March
1987

D Davis
B S E Freshwater
S I Freshwater

768 (notes 2 & 3)	768
590,032 (notes 2, 3, 4 & 5)	590,032
89,270 (notes 2, 3 & 4)	89,270

Note

1. All the above holdings were beneficially owned.
2. A further 4,086,822 shares (31st March 1986—4,086,822) were held by Freshwater family trusts and by charitable companies in which Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis have a non-beneficial interest.
3. In addition to the holdings shown in the table and in note 2 above, companies owned and controlled by Mr B S E Freshwater, Mr S I Freshwater and by their families, and family trusts, held at 31st March 1987 a total of 8,156,431 shares (31st March 1986—8,156,431). Mr D Davis has a non-beneficial interest in some of these
4. shares as a Director of the companies concerned, or as a trustee.
5. Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.
6. Mr B S E Freshwater also had at 31st March 1987 a non-beneficial interest in 47,294 shares (31st March 1986—47,824) included in the estate of the late Mr O M Freshwater.
7. Since 31st March 1987 a further 1,000 shares included in those shown in Note 5 have been sold.

By Order of the Board,
H E Severn,

9th July 1987

Secretary

Auditors' Report to the Members of Daejan Holdings PLC

We have audited the Accounts on pages 7 to 18 in accordance with approved Auditing Standards.

In our opinion the Accounts give a true and fair view of the state of affairs of the Company and of the Group at 31st March

1987, and of the Profit and Source and Application of Funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
9th July 1987

Peat Marwick McLintock
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31st March 1987

	Notes	1987		1986	
		£000	£000	£000	£000
Rents less property outgoings	2	10,058		8,512	
Surplus on sale of properties	2	12,674		10,269	
Other income	3	625		799	
		23,357		19,580	
Financing charges	4	2,811		2,956	
Administrative and Other Charges		2,214		1,703	
		(5,025)		(4,659)	
Profit on ordinary activities before taxation	5	18,332		14,961	
Taxation on profit on ordinary activities	6	(5,858)		(5,974)	
Profit on ordinary activities after taxation		12,474		7,987	
Extraordinary item		—		15	
Minority interests		(26)		11	
		(26)		26	
Profit for the year	7	12,448		8,013	
Transfer to Other Reserves	1 (c) & 18	(632)		(28)	
		11,816		7,985	
Dividends:					
Interim		815		815	
Proposed Final		1,955	(2,770)	1,466	(2,261)
Retained Profit for the year	18	£9,046		£5,704	
Earnings per Share	8	76.38p		49.0	

The notes on pages 11 to 18 form part of these Accounts

Consolidated Balance Sheet

as at 31st March 1987

	Notes	1987		1986	
		£000	£000	£000	£000
Fixed Assets					
Tangible Assets	9	157,847		104,813	
Investments	10	2,461		2,699	
		160,308		107,512	
Current Assets					
Properties held for Trading	11	25,720		25,099	
Deferred Taxation	6(b)	2,344		866	
Debtors	12	7,573		9,052	
Investments	13	2,740		4,323	
Cash at Bank	15(a)	15,720		12,973	
		54,097		52,313	
Creditors: Amounts falling due within one year	14	(32,075)		(30,997)	
Net Current Assets			22,022		21,316
Total Assets less Current Liabilities			182,330		128,828
Creditors: Amounts falling due after more than one year	15	(34,948)		(36,223)	
Provision for liabilities and charges	16	(1,420)		(1,460)	
Net Assets			£145,962		£91,145
Capital and Reserves					
Called up Share Capital	17	4,074		4,074	
Share Premium Account		3,298		3,298	
Revaluation Reserve	18	106,746		61,504	
Other Reserves	18	1,092		553	
Profit and Loss Account	18	30,404		21,474	
		145,614		90,903	
Minority Interests		348		242	
		£145,962		£91,145	


B S E FRESHWATER | Directors
D DAVIS

These Accounts were approved by the Board of Directors on 9th July 1987

The notes on pages 11 to 18 form part of these Accounts

Balance Sheet

24 at 31st March 1987

	Notes	1987		1986	
		£000	£000	£000	£000
Fixed Assets					
Investment in subsidiaries	19		165,583		44,940
Current Assets					
Deferred Taxation	6 (b)		964		629
Debtors	12		89		81
Cash at Bank	15 (a)		4,686		5,342
			5,739		6,052
Creditors: Amounts falling due within one year	14	(6,673)		(5,873)	
Net Current (Liabilities)/Assets			(934)		179
Total Assets less Current Liabilities			164,649		45,119
Creditors: Amounts falling due after more than one year	15	(19,035)		(19,976)	
Net Assets			£145,614		£25,143
Capital and Reserves					
Called up Share Capital	17		4,074		4,074
Share Premium Account			555		555
Revaluation Reserve	18		140,963		20,400
Other Reserves	18		—		111
Profit and Loss Account	18		22		5
			£145,614		£25,143

BSE FRESHWATER
D DAVIS

Directors

These Accounts were approved by the Board of Directors on 9th July 1987

The notes on pages 11 to 18 form part of these Accounts.

Source and Application of Funds

for the year ended 31st March 1987

	1987		1986	
	£000	£000	£000	£000
Source of Funds				
Profit on ordinary activities before tax		18,332		14,954
Extraordinary item		—		15
Adjustments for items not involving the movement of funds:				
Depreciation	17		66	
Surplus on disposal of investment properties and other fixed assets	(6,493)		(4,624)	
Movements in provisions	(40)		980	
Foreign Exchange loss	(219)	(6,735)	(570)	(4,148)
Funds generated from operations		11,597		10,828
Funds from other sources:				
Increase in mortgage advances and other loans	—		750	
Proceeds from the sale of investment properties and other fixed assets	6,899	6,899	5,006	5,756
		18,496		16,584
Application of Funds				
Purchase of fixed assets	8,128		22	
Decrease in mortgage advances and other unsecured loans	1,275		—	
Movements of fixed asset investments	(238)		(284)	
Taxation paid	6,685		5,269	
Dividends paid	2,281	18,131	2,118	7,125
		£365		£9,459
Represented by:				
Increase/(decrease) in working capital				
Increase in properties held for trading		621		10,444
Decrease in textile stocks		—		(185)
(Decrease)/increase in debtors		(1,490)		1,674
Increase in creditors		(246)		(2,659)
Decrease in investments held as current assets		(1,583)		(2,326)
		(2,698)		9,948
Movements in net liquid funds:				
Increase in cash at bank	2,747		1,233	
Decrease in bank loans and overdrafts	316	3,063	1,278	2,511
		£365		£9,459

Notes on the Accounts

Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's Accounts.

(a) Basis of Accounting

The Accounts are prepared under the historical cost convention as adjusted by the policy of accounting for investment properties referred to in note 1 (g).

(b) Consolidation

The Accounts of certain subsidiary companies have not been consolidated (see note 19 (b)).

A separate profit and loss account dealing with the results of the Company only has not been presented in accordance with Section 228(7), Companies Act 1985.

(c) Income Available for Distribution

Under the Articles of Association of certain Group Investment Companies, realised capital surpluses are not available for distribution as dividends and these surpluses together with unrealised surpluses and deficits are taken to Other Non Distributable Reserves.

(d) Depreciation

No depreciation is provided on Freehold properties nor on Leasehold properties having an unexpired term of more than fifty years.

Leases having an unexpired term of less than fifty years are amortised evenly over the remaining period of the lease.

Low value items of furniture and fittings are written off in the year in which they are acquired. Other items are depreciated by an annual percentage of written down value estimated to write them off over their anticipated useful lives.

(e) Acquisitions and Disposals of Properties

Acquisitions and disposals are considered to have taken place at the date of legal completion.

(f) Deferred Taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the accounts, and is calculated on the liability method. Provision is made for deferred taxation in respect of those timing differences which are expected to crystallize in the foreseeable future.

(g) Properties

(i) Investment Properties

In accordance with Statement of Standard Accounting Practice 19, Investment Properties are included in the Balance Sheet either at professional valuation, carried out at regular intervals, or at Directors' valuation carried out in the intervening years. The aggregate surplus is transferred to a revaluation reserve and on realisation is included in the Consolidated Profit and Loss account.

(ii) Trading and Development Properties

These properties are stated at the lower of cost and net realisable value. In the case of properties acquired from other Group companies any profit in the transferor company is eliminated on consolidation until realised by the Group.

(h) Foreign Currencies

Foreign currency borrowing and the assets, liabilities and results of the overseas subsidiary companies are translated into sterling at the rates of exchange ruling at the Balance Sheet date, and any surplus or deficit arising on such translation is dealt with through Other Non Distributable Reserves.

(i) Overseas Profits

Profits on Property Sales in the U.S.A. are incorporated into the Consolidated Profit and Loss Account on the basis of deferring that proportion of the profit which is equal to any mortgage receivable.

(j) Sales of Investment Properties

It is Group policy to sell in significant numbers, 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 original cost, plus subsequent additions, is included with the Group profit. Taxation on the gains arising on these sales is shown as part of the taxation charge.

(k) Repairs

The cost of repairs is written off to Profit and Loss Account in the year in which the expenditure is incurred.

Notes on the Accounts

continued

2. Group Turnover

An analysis of the main sources of property income and their respective contribution towards the profit for the year is as follows:

	Turnover £000	Cost of turnover £000	1987 Gross profit £000	Turnover £000	Cost of turnover £000	1986 Gross profit £000
Rents and service charges receivable (see (i) below)	21,911	(11,853)	10,058	19,393	(10,881)	8,512
Trading property sales	8,737	(2,249)	6,488	10,211	(3,820)	6,391
Investment property sales (see (ii) below)	6,899	(713)	6,186	7,994	(1,096)	3,898
	<u>£37,547</u>	<u>£(14,815)</u>	<u>£22,732</u>	<u>£34,598</u>	<u>£(15,797)</u>	<u>£18,801</u>

The geographical analysis of turnover as shown above is as follows:

	U.K. £000	U.S.A. £000
Rents and service charges receivable	20,921	990
Trading property sales	8,329	408
Investment property sales	6,899	—
	<u>£36,149</u>	<u>£1,398</u>

(i) Cost of rents and service charges receivable includes:

	1987 £000	1986 £000
Wages and salaries	776	686
Social security costs	67	62
The average number of employees during the year was 159 (1986—175). The above figures relate to portering staff only.		
	<u>£843</u>	<u>£748</u>

(ii) Investment property sales

	1987 £000	1986 £000
Transfer from revaluation reserve of surplus now realised (note 18)	2,001	1,151
Surplus over book value	4,185	2,747
	<u>£6,186</u>	<u>£3,898</u>

3. Other Income

	1987 £000	1986 £000
Share of U.S.A. partnerships' results	540	714
Sundry income	82	76
Surplus on redemption of debentures and loan stock	3	9
	<u>£625</u>	<u>£799</u>

4. Financing Charges

	1987 £000	1986 £000
Interest payable on bank loans and overdrafts:		
Repayable within 5 years	2,909	3,092
Repayable in more than 5 years	1,762	1,546
	<u>4,671</u>	<u>4,638</u>
Less: Interest receivable	1,860	1,702
	<u>£2,811</u>	<u>£2,936</u>

5. Profit on Ordinary Activities before Taxation

	1987 £000	1986 £000
Profit on ordinary activities before taxation is stated after charging the following:		
Amortisation of short leases	17	63
Depreciation of furniture, fittings and equipment	—	3
Auditors' remuneration	148	155
Directors' emoluments (see (i) and (ii) below)		
Fees	10	10
Other remuneration	155	125
(i) Chairman and highest paid Director	£103,500	£73,500
(ii) Other Directors		
£0 to £5,000	Number 2	Number 3

6. Taxation on Profit on Ordinary Activities

(a) Taxation based on the profit for the year of the Company and its subsidiaries:	1987 £000	1986 £000
UK corporation tax at 35% (1986—40%)	7,211	5,751
Overseas taxation	135	745
Deferred taxation	(1,148)	(5)
	6,198	6,491
Prior year adjustments	(340)	483
	£5,858	£6,974

(b) Deferred Taxation Asset

	The Group		The Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Advance corporation tax recoverable	953	623	953	623
Short term timing differences	1,145	59	11	6
Other timing differences	246	163	—	—
	£2,344	£845	£964	£629

Apart from the above items there was at 31st March 1987 a potential liability for deferred taxation in respect of Industrial Building Allowances of £1,214,000 (1986—£1,273,000). No provision has been made in these Accounts in respect of this liability as it is not expected to arise in the foreseeable future.

In the event of a realisation of the Group's investment properties and of the Company's investment in subsidiaries at an amount equal to the valuation recorded in the Accounts, a liability to corporation tax on chargeable gains would arise estimated at not more than £31m and £50m respectively (1986—£19m and £6m) and for which no provision has been made in these Accounts.

Notes on the Accounts

continued

7. Profit for the Year

Of the Group profit after taxation and minority interests for the year a surplus of £2,905,000 (1986—£2,237,000) is dealt with in the accounts of the holding company.

8. Earnings Per Share

Earnings per share is calculated on earnings, after taxation and minority interests, of £12,448,000 (1986—£7,998,000) and 16,295 357 shares in issue at 31st March 1987 (1986—16,295,357).

9. Tangible Assets

	Investment Properties			Total 1987 £000	Total 1986 £000
	Freehold £000	Long Leasehold £000	Short Leasehold £000		
Director's Valuation at 1st April 1986	87,612	15,595	1,606	104,813	102,428
Reclassifications	2,120	(2,576)	456	—	—
Additions	8,103	25	—	8,128	22
Disposals	(2,217)	(17)	(19)	(2,407)	(1,538)
Depreciation	—	—	(17)	(17)	(66)
Revaluation (see note below)	43,607	2,827	896	47,330	3,962
31st March 1987					
At Professional Valuation	<u>£139,225</u>	<u>£15,700</u>	<u>£2,922</u>	<u>£157,847</u>	<u>£104,818</u>

The historic cost of investment properties is £48,783,000 (1986—£41,368,000).

A professional valuation of freehold and leasehold land and buildings in the United Kingdom was carried out as at 1st January 1987 by Keith Cardale Groves, Chartered Surveyors. The valuation figures are based on open market value assessed in accordance with the R.I.C.S. Guidance Notes.

10. Investments held as Fixed Assets

	1987 £000	1986 £000
Interest in syndicates to acquire industrial buildings	617	617
Mortgages granted—repayable after one year	1,050	1,304
Collateral endowment insurance policies at cost (i)	454	405
Collateral deposits	—	25
Investment in subsidiaries not consolidated (note 19 (b))	146	154
Amounts owed by subsidiaries not consolidated (ii)	194	194
	<u>£2,461</u>	<u>£2,699</u>

Notes:

(i) Surrender values—£526,000 (1986—£492,000).

	1987 £000	1986 £000
(ii) Amounts due from subsidiaries not consolidated	344	344
Amounts due to subsidiaries not consolidated	(150)	(150)
	<u>£194</u>	<u>£194</u>

11 Properties held for trading

	U.K. £000	U.S.A. £000	1987 Total £000	U.K. £000	U.S.A. £000	1986 Total £000
At the lower of cost and net realisable value:						
Completed properties	19,210	6,502	25,712	19,861	5,230	25,091
Developments	8	—	8	8	—	8
	<u>£19,218</u>	<u>£6,502</u>	<u>£25,720</u>	<u>£19,869</u>	<u>£5,230</u>	<u>£25,099</u>

12 Debtors

	The Group		The Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Rents and service charges	5,393	6,241	—	—
Other debtors and prepayments	2,062	2,632	84	36
Taxation recoverable	117	106	4	38
Interest receivable	1	13	1	7
	<u>£7,573</u>	<u>£9,052</u>	<u>£89</u>	<u>£81</u>

13 Investments held as Current Assets

	1987 £000	1986 £000
Shares in U.S.A. Co-operative Corporations	2,161	2,445
Investments in U.S.A. Partnerships (see note below)	463	1,395
Loan to U.S.A. Partnership	—	381
Mortgages granted	23	27
Listed securities at the lower of cost and net realisable value (Market value £190,000) (1986—£150,000)	93	75
	<u>£2,740</u>	<u>£4,323</u>
	1987 £000	1986 £000
Note: Net Assets of U.S.A. Partnerships comprise:		
Shares in Co-operative Corporations	2,914	4,358
Mortgages granted	2,878	3,958
Cash and other assets	553	728
	6,345	9,044
Less: Creditors repayable within one year	(457)	(641)
Creditors repayable after one year (secured)	(3,556)	(4,716)
	<u>£2,332</u>	<u>£3,687</u>
	1,355	2,241
Group share of net assets	(892)	(846)
Less: accumulated deferred profits	<u>£463</u>	<u>£1,395</u>

14 Creditors: Amounts falling due within one year

	The Group		The Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Mortgage advances (secured)	523	275	216	216
Bank loans and overdrafts (secured)	2,904	3,310	2,334	2,216
6½% Debenture stock (Repaid October 1986)	—	306	—	—
Rents and service charges charged in advance	2,892	3,389	—	—
Other creditors and accruals	7,004	6,203	1,100	1,029
Taxation	16,707	16,048	1,068	946
Proposed dividend	1,955	1,466	1,955	1,466
	<u>£32,075</u>	<u>£39,997</u>	<u>£6,673</u>	<u>£5,873</u>

Notes on the Accounts

continued

Figures in £000. Amounts falling due after more than one year

	The Group		The Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
Debentures and Unsecured Loan Stocks	6,490	6,523	—	—
Mortgage advances	12,954	13,560	4,005	4,536
Bank Loans	15,504	15,910	15,030	15,440
	<u>£34,948</u>	<u>£36,223</u>	<u>£19,035</u>	<u>£19,976</u>

Analysis of creditors falling due after more than one year

	Interest Rate	The Group		The Company	
		1987	1986	1987	1986
		£000	£000	£000	£000
Amounts repayable after 1st April 1992					
Unsecured Loan Stock 2002-07	8¼%	2,031	2,046	—	—
Unsecured Loan Stock 1991-96	7¾%	1,119	1,119	—	—
Instalment Mortgages 1987-2001	7%-15¼%	10,231	9,992	3,139	3,641
Debenture Stocks 1990-1997	6½%-8¼%	2,700	2,700	—	—
		<u>16,081</u>	<u>15,767</u>	<u>3,139</u>	<u>3,641</u>
Amounts repayable between 1st April 1989 and 31st March 1992					
Debenture Stock 1985-1988	6½%	—	658	—	—
Instalment Mortgages	7%-14¾%	2,430	3,546	650	679
Bank Loans and Overdrafts	variable	20	15,530	20	15,030
		<u>2,450</u>	<u>19,734</u>	<u>670</u>	<u>15,709</u>
Amounts repayable between 1st April 1988 and 31st March 1989					
Instalment Mortgages	7½%-11%	293	312	216	216
Bank Loans and Overdrafts (a)	variable	15,484	410	15,010	410
Debenture Stock 1985-1988	6½%	640	—	—	—
		<u>16,417</u>	<u>722</u>	<u>15,226</u>	<u>626</u>
Total amount of Long Term Loans		<u>£34,948</u>	<u>£36,223</u>	<u>£19,035</u>	<u>£19,976</u>
Amount of Long Term Loans secured (b)		<u>£31,798</u>	<u>£33,058</u>	<u>£19,035</u>	<u>£19,976</u>
Amounts repayable before 31st March 1988 included in current liabilities (see note 14)					
Instalment Mortgages	7%-10½%	523	275	216	216
Bank Loans and Overdrafts	variable	2,994	3,310	2,334	2,216
Debenture Stocks 1983-1986	6½%	—	306	—	—
		<u>£3,517</u>	<u>£3,891</u>	<u>£2,550</u>	<u>£2,432</u>

(a) Of the total amount shown in the Balance Sheets as cash at bank £4.5m represents deposits with a bank which at 31st March 1987 had also provided loans of £15.0m.

(b) These loans are secured on some of the Group's properties.

16. Provision for liabilities and charges

	The Group		Total
	Property development provision	U.S.A. deferred taxation	
	£000	£000	£000
Balance at 1st April 1986	480	980	1,460
Utilised during the year	—	(40)	(40)
Balance at 31st March 1987	<u>£480</u>	<u>£940</u>	<u>£1,420</u>

17. Share Capital

	Number	1987 £000	1986 £000
<i>Authorised:</i>			
Ordinary shares of 25 pence per share	18,722,596	£4,681	£4,681
<i>Allotted, called up and fully paid:</i>			
Ordinary Shares of 25 pence per share	16,295,357	£4,074	£4,074

18. Reserves

	<i>The Group</i>		<i>The Company</i>	
	£000	£000	£000	£000
<i>Revaluation Reserve:</i>				
At 1st April 1986	61,504		20,400	
Transfer to Profit and Loss Account of surplus on prior year revaluations of investment properties now realised (note 2)	(2,001)		—	
Fixed asset revaluations (notes 9 and 19)	47,330		120,563	
Other adjustments	(87)		—	
		<u>£106,746</u>		<u>£140,963</u>
<i>Other Non Distributable Reserves:</i>				
At 1st April 1986	553		111	
Transfer from Profit and Loss Account (note 1(c))	632		—	
Foreign Exchange loss	(219)		(236)	
Other adjustments	10		9	
Reclassification	116		116	
		<u>£1,092</u>		<u>£—</u>
<i>Profit and Loss Account:</i>				
At 1st April 1986	21,474		3	
Profit for year	9,046		135	
Reclassification	(116)		(116)	
		<u>£30,404</u>		<u>£22</u>

19. Investment in subsidiaries

	1987 £000	1986 £000
<i>(a) The Company</i>		
Shares at cost	1,438	1,446
Surplus on revaluation (note 18)	140,963	20,400
	<u>142,401</u>	<u>21,846</u>
Amounts due from subsidiaries	30,476	29,477
	<u>172,877</u>	<u>51,323</u>
Amounts due to subsidiaries	(7,294)	(6,383)
	<u>£165,583</u>	<u>£44,940</u>

A list of principal subsidiary companies is given in note 22.

(b) *The Group—Subsidiaries not consolidated.*
(Cost and Directors' valuation £146,000.)

There have been excluded from the Consolidated Accounts the results of certain subsidiary companies acquired at a cost of £146,000 (1986—£154,000). The combined profits since acquisition attributable to the Company as indicated by their accounts

amounted to £8,000 (1986—£8,000) and their aggregate liabilities at 31st March 1987 were substantially in excess of their assets. In the Directors' opinion, the liabilities of these companies could not fall upon other Group companies and therefore the consolidation of the above-mentioned accounts would have been misleading.

Notes on the Accounts

continued

20. Director's Interests in Contracts

Day-to-day management of the Group's properties in the United Kingdom is carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both companies and Mr B S E Freshwater is also interested in the share capital of Highdorn Co. Limited. Mr B S E Freshwater and Mr D Davis are also Directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company.

The amounts paid for the provision of management services charged for at normal commercial rates were:

Highdorn Co. Ltd		Freshwater Property Management Ltd	
1987	1986	1987	1986
£000	£000	£000	£000
1,621	1,667	681	623

Residential Management Inc., a U.S.A. Corporation in which Mr S I Freshwater has a small beneficial interest, manages the properties owned by Daejan (N.Y.) Limited. During the year Residential Management Inc. received US\$157,138 for such management services.

21. Contingent Liabilities

The Company has guaranteed bank and mortgage indebtedness and unsecured loan stock of certain subsidiaries which at 31st March 1987 amounted to £4.9m (1986—£20.5m).

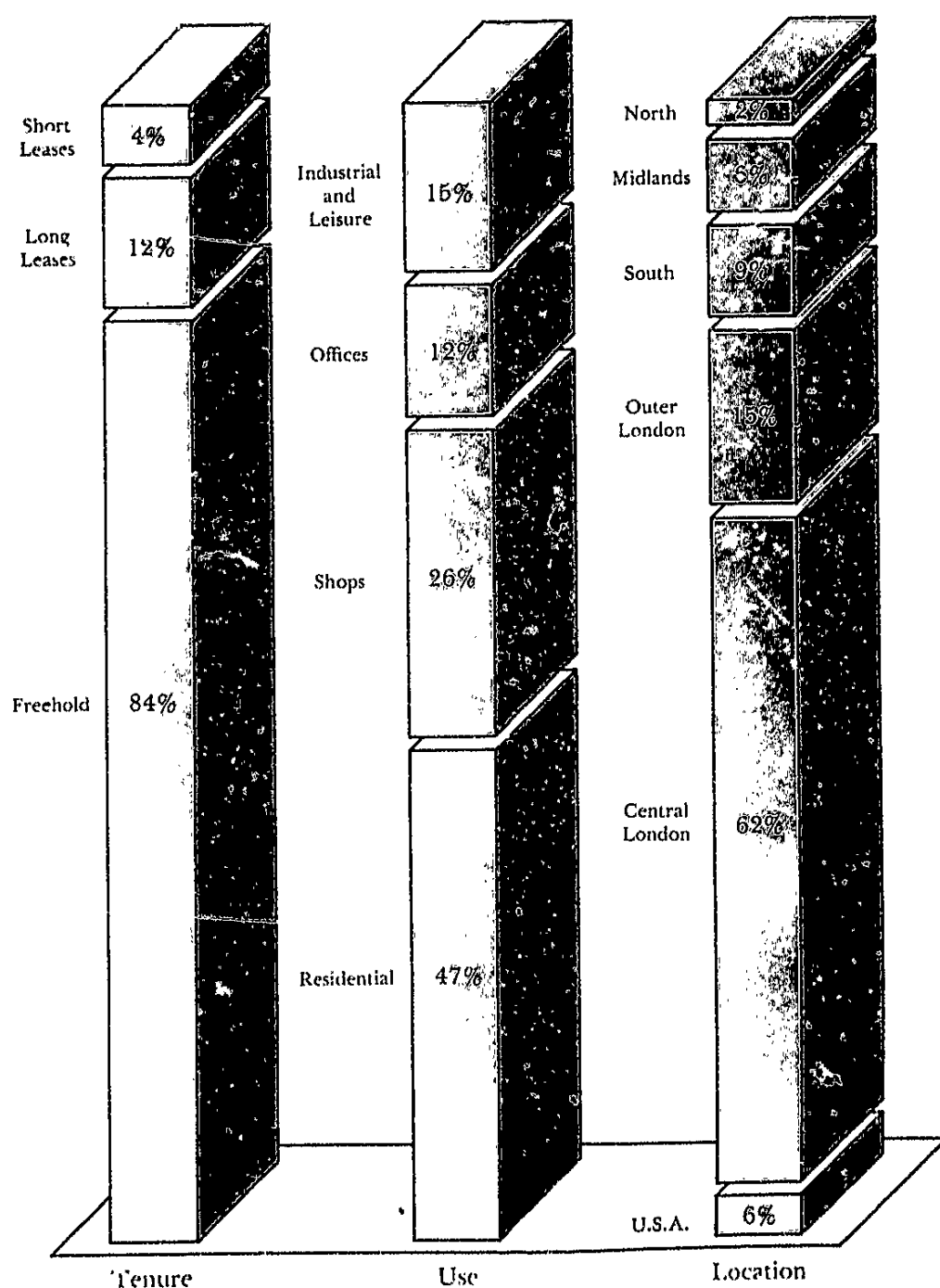
22. Principal Subsidiary Companies

Astral Estates (London) Limited
 Bampton Holdings Limited
 Bampton (Redbridge) Limited (75%)
 Brickfield Properties Limited
 City and Country Properties Limited
 City and Country Properties (Birmingham) Limited
 City and Country Properties (Camberley) Limited
 City and Country Properties (Midlands) Limited
 Chilon Investment Co Limited
 Daejan Developments Limited
 Daejan Estates Limited
 Daejan Investments Limited
 Daejan Investments (Grove Hall) Limited
 Daejan Investments (Harrow) Limited
 Daejan Investments (Park) Limited
 Daejan Properties Limited
 Daejan Securities Limited — *Share Dealer*
 Daejan (N.Y.) Limited (*Incorporated in U.S.A.*)
 Daejan Holdings (U.S.) Inc. (*Incorporated in U.S.A.*)
 Hampstead Way Investments Limited
 Kintsilk Investments Limited
 Limebridge Co Limited
 Mont Investments Limited
 Pegasus Investment Company Limited
 Rosebel Holdings Limited
 Seaglen Investments Limited
 St Leonards Properties Limited
 The Bampton Property Group Limited
 The Cromlech Property Co Limited
 The Halliard Property Co Limited

Except where otherwise indicated the above are wholly owned property companies incorporated in England. All subsidiaries operate in their country of incorporation.

Group Properties

Analysis of Group Property Portfolio in the U.K. and U.S.A. based on professional valuation of investment and trading properties as at 1st January 1987. Total valuation £262,787,000.



Five Year Record

Year ending 31st March

	1983	1984	1985	1986	1987
	£000	£000	£000	£000	£000
Net Rental Income	5,529	6,616	7,906	8,512	10,058
Surplus on Sale of Properties	7,135	10,589	10,393	10,289	12,674
Other Income	(141)	102	240	799	625
	12,523	17,307	18,539	19,600	23,357
Group Profit before Taxation	6,930	12,827	13,255	14,961	18,382
Taxation	2,574	5,437	5,442	6,974	5,858
Minority Interests	41	5	14	11	26
Transfer to Reserve	21	81	32	28	632
Available Surplus	4,294	7,304	7,795	7,970	11,816
Earnings: p. per share	26.48	45.32	48.03	49.08	76.88
Dividends: p. per share	5.75	12.50	13.00	14.00	17.00
Gross Assets	116,744	126,376	147,060	159,825	214,405
Net Assets	60,787	67,304	82,934	90,903	145,614
Net Assets: p. per share	373	413	509	558	894
Represented by:					
Share Capital	4,074	4,074	4,074	4,074	4,074
Reserves and Retained Profit	56,713	63,230	78,860	86,829	141,540
Shareholders' Funds	£60,787	£67,304	£82,934	£90,903	£145,614

Net Assets per Accounts 145,614
 1987 valuation surplus on Trading Properties not included in the Consolidated Balance Sheet 74,225

£219,839

Assets per share £13.49

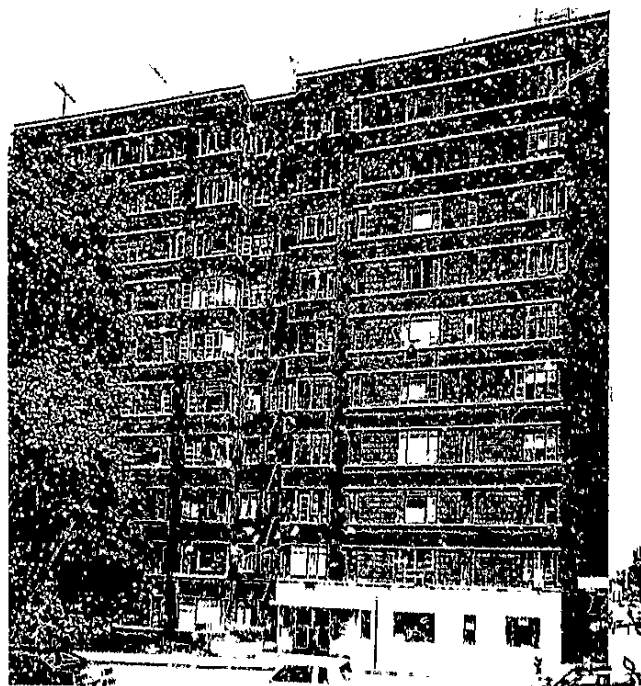
(excluding provision for any tax liability on realisation of properties)



1. The building is a multi-story structure with a prominent corner section. The facade is composed of brick and light-colored panels. The building is surrounded by trees and parked cars.

2. The building is a multi-story structure with a prominent corner section. The facade is composed of brick and light-colored panels. The building is surrounded by trees and parked cars.

3. The building is a multi-story structure with a prominent corner section. The facade is composed of brick and light-colored panels. The building is surrounded by trees and parked cars.



2.

3.