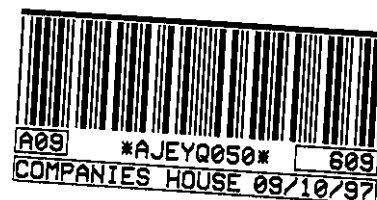


DAEJAN HOLDINGS PLC

REPORT AND FINANCIAL STATEMENTS

1997

Company Number: 305105



**DIRECTORS AND  
ADVISERS**

**Directors**

B S E Freshwater

(Chairman and Managing Director)

D Davis

S I Freshwater

**Secretary**

C C Morse, FCIS

**Registered and Head Office**

Freshwater House,

158-162 Shaftesbury Avenue,

London WC2H 8HR

Registered in England

No. 305105

**Registrars**

Lloyds Bank Registrars,

The Causeway,

Worthing,

West Sussex BN99 6DA

**Auditors**

KPMG Audit Plc

8 Salisbury Square,

London EC4Y 8BB

**Consulting Accountants**

Cohen, Arnold & Co.,

13-17 New Burlington Place,

London W1X 2JP

**Principal Bankers**

Lloyds Bank Plc

National Westminster Bank PLC

Barclays Bank PLC

The Royal Bank of Scotland plc

**Stockbrokers**

Kleinwort Benson Securities Limited,

20 Fenchurch Street,

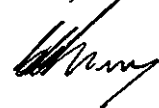
London EC3P 3DB

**N**otice is hereby given that the Sixty-second Annual General Meeting of Daejan Holdings PLC will be held at The President's Committee Room, CBI, 1st Floor, Centre Point, New Oxford Street, London WC1, on 19 September 1997 at 12.00 noon, for the following purposes:-

## NOTICE OF MEETING

1. To receive the Financial Statements for the year ended 31 March 1997 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 D Davis as a Director. (Resolution 3).
4. To re-appoint KPMG Audit Plc as Auditors and to authorise the Directors to determine their remuneration. (Resolution 4).

By Order of the Board,

 C C MORSE  
Secretary

28 August 1997

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. Only those Members registered in the Register of Members of the Company as at 6.00pm on 17 September 1997 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. 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 1 October 1997 to Shareholders registered at the close of business on 1 September 1997.

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

## RESULTS AT A GLANCE

	Year ended 31 March		
	1997	1996	% change
	£000	£000	
Profit before Taxation	24,492	20,582	19
Profit after Taxation	16,751	14,529	15
Earnings per Share	102.6p	89.0p	15
Dividends per Share	38.0p	35.0p	9
Equity Shareholders' funds per Share (based on Balance Sheet values)	£16.72	£15.32	9

Final Dividend of 6p per share payable on 1 October 1997

## CHAIRMAN'S STATEMENT

It is now five years since the previous professional revaluation of both our investment and trading property holdings. The portfolio has been professionally revalued as at 31 March 1997 at £440 million, an increase of £116 million over the 1992 figure. During the first quarter of the current year our holdings have been further augmented by £7.3 million of property investment purchases.

The surplus over book value arising on the revaluation is £80.6 million, of which £12.9 million relates to properties held for investment and has been included in the revaluation reserve. In accordance with relevant accounting practice the surplus relating to trading properties has not been incorporated into the Accounts, where they continue to be shown at cost. The net worth of the Group including the full £80.6 million revaluation

surplus, but before allowing for tax on disposals, is £340 million (£20.90 per share) which compares with a net worth figure of £245 million (£15.05 per share) following the 1992 revaluation. This increase in net worth of £96 million has been achieved after payment to shareholders of dividends of £26.3 million.

Our property assets are perhaps unusual in their diversity, as regards the location and the size of individual holdings, and their spread between the various sectors of the property market. An analysis of our property holdings is provided by the charts on page 26. Our portfolio is well balanced and will benefit from future improvements in the economy.

Turning to the Profit and Loss Account we have achieved a profit before taxation of £24.49 million. It is noteworthy that we have enjoyed a record net rental income of £28.06 million. Rental income is expected to gradually improve, as increased rents are achieved for the commercial portfolio on reviews, lease renewals and new lettings. Our commercial vacancies are currently 6.3% of the commercial rent roll, an improvement of some 20% in the vacancy rate over the last four years.

As foreseen in my previous Statement, property sales have shown a considerable improvement from last year's somewhat depressed level, both as to the volume of sales and also as to the margin of profit. This improvement has been maintained during the current year to date. It is, however, difficult at this stage to forecast the durability of the improvement, as the residential sales market still has a certain fragility and remains vulnerable to changes in interest rates and to other external factors that are outside our control.

The Group's financial position remains healthy. Our gearing, being the ratio of debt to gross assets, is low. We maintain substantial cash balances and loan facilities. Consequently, we are in a strong position for further expansion, well able to take immediate advantage of any investment propositions that we consider suitable.

In July, we took the somewhat unusual step of declaring a second interim dividend of 16p. This was done in order to protect shareholders from the effects of possible adverse budget changes relating to Advance Corporation Tax, that had been anticipated by many commentators. In the event, our action proved effective in protecting the interests of those of our shareholders who are pension funds. It is perhaps noteworthy that the dividend increase proposed this year, will be the eighteenth successive annual increase, with the total dividend payable for the year having more than doubled over the past ten years.

We aim to achieve steady and sustained growth in income, net worth, and shareholder return, despite "boom and bust" economic cycles which successive governments have been keen to abolish, but none has yet succeeded in so doing. I believe that our record over many years bears witness to our success in achieving these objectives. We do not intend to rest upon our laurels and are determined to continue to deliver pleasing results in the future.

Finally, as ever, it is my enjoyable task on behalf of all shareholders to express sincere thanks to the loyal and hard working colleagues who have done so much to help us achieve our goals.

B S E FRESHWATER

*B S E Freshwater* Chairman

The Directors have pleasure in presenting their Report together with the Financial Statements for the year to 31 March 1997.

## DIRECTORS' REPORT

### Principal Activities of the Group

Daejan Holdings PLC is a holding company whose principal activities, carried on through its subsidiary undertakings, 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 undertakings are incorporated in the United States of America and carry out property investment and trading in that country.

### Properties

A professional revaluation of all the Group's United Kingdom investment properties was carried out at 31 March 1997 by the Group's external valuers, Cardales, Chartered Surveyors, and a copy of their report appears on page 25. The resultant figures have been included in the Financial Statements now presented and the increase of £12,903,000 (net of minority interests) over previous book values has been transferred to Revaluation Reserve. The Group's trading portfolio in the UK was also professionally valued at 31 March 1997 by the Group's external valuer and showed a surplus over book value of £63.6 million which has not been incorporated into the Financial Statements. The Group's United States trading portfolio has been valued by the Directors and showed a surplus over book value of £3.9 million which has not been incorporated into the Financial Statements.

### Results and Dividend

The profit attributable to equity shareholders amounted to £16,726,000 (1996: £14,503,000). A first Interim Dividend of 16p per share was paid on 14 March 1997 and a second Interim Dividend of 16p per share was paid on 9 June 1997. The Directors now recommend the payment of a Final Dividend of 6p per share, making a total for the year of 38.0p per share, an increase of 3.0p over the previous year. The dividends will absorb £6,192,000 (1996: £5,703,000) and will leave £10,534,000 (1996: £8,800,000) to be added to retained profits.

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

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

	Turnover		Profit	
	UK £000	USA £000	UK £000	USA £000
Rents and Charges	44,683	3,164	27,307	754
Sales of Trading and Investment Properties	14,046	38	9,297	38
Other Activities (including share of USA partnership profits)	—	—	36	44
	<u>58,729</u>	<u>3,202</u>	<u>36,640</u>	<u>836</u>
Financing Charges (net)			(8,071)	(3)
Administrative and Other Expenses			(4,666)	(244)
			<u>23,903</u>	<u>589</u>
			589	
Profit before Taxation			<u>24,492</u>	

**DIRECTORS'  
REPORT**  
CONTINUED

**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.

Neither Mr D Davis nor Mr S I Freshwater have a service contract.

Brief biographies of the Directors are as follows:—

Mr B S E Freshwater – Joined the Board in December 1971 with primary responsibility for the Group's finances. In July 1976 he was appointed Managing Director and, additionally, became Chairman in July 1980.

Mr D Davis – A Chartered Accountant and member of the Institute of Taxation, was previously a partner in Cohen, Arnold & Co., the Group's consulting accountants. He relinquished his partnership in 1971 in order to devote more time to his numerous business and other interests. He has been a non-executive Director of the Company since December 1971.

Mr S I Freshwater – Directs the Group's operations in the USA and also has responsibility for the Group's UK sales division. He has been a Director of the Company since January 1986.

**Directors' Remuneration**

The remuneration policy adopted by the Board is designed to ensure that the Directors' interests are allied to the long-term growth of the Group and therefore to the interests of the shareholders as a whole.

The Group does not operate any form of bonus scheme or share option scheme since the Executive Directors' salaries for the year are determined by the Board once the results for the year are known with any salary increase calculated and paid with effect from the beginning of the financial year.

In determining individual Director's remuneration, consideration is given to the levels of remuneration paid to directors of public companies of a similar size in the property and other sectors.

Mr B S E Freshwater participates in a Small Self-administered Pension Scheme which provides at any time after age 60 a sum of money to purchase a pension up to two-thirds of final salary subject to Inland Revenue limits and other statutory rules. The pension scheme also provides on death in service, for all contributions made to be applied in providing benefits for Mr Freshwater's dependants. This is a contributory scheme to which Mr B S E Freshwater contributes 15% of gross salary per annum. The figure for pension contributions shown below is the contribution paid by the Group in respect of Mr B S E Freshwater.

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

Details of individual Director's remuneration are set out below on an accruals basis.

	Salary £	Fees £	Sub-total £	Pensions £	Total £
1997					
Mr B S E Freshwater	315,000	15,000	330,000	65,000	395,000
Mr D Davis	—	15,000	15,000	—	15,000
Mr S I Freshwater	301,352	15,000	316,352	—	316,352
	616,352	45,000	661,352	65,000	726,352

Pension to Widow of former  
managing director

£65,000

	Salary £	Fees £	Sub-total £	Pensions £	Total £
1996					
Mr B S E Freshwater	300,000	15,000	315,000	64,374	379,374
Mr D Davis	—	15,000	15,000	—	15,000
Mr S I Freshwater	298,264	15,000	313,264	—	313,264
	598,264	45,000	643,264	64,374	707,638

Pension to Widow of former  
managing director

£64,000

### Payment Policy

It has long been the Group's policy to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that those suppliers are aware of those terms and to abide by the agreed terms of payment. The Company does not have material trade creditor balances.

<b>DIRECTORS'</b> <b>REPORT</b> CONTINUED
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### Directors' Interests in Contracts

Day-to-day management of the Group's properties in the United Kingdom is partly 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 are 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.

Details of the amounts paid for the provision of these services are set out in note 21 to the financial statements.

### Substantial Interests and Interests of Directors

<i>Daejan Holdings PLC</i>		31 March	31 March
<i>Ordinary Shares</i>		1997	1996
D Davis	(notes 2 & 3)	763	763
B S E Freshwater	(notes 1, 2, 3 & 4)	590,033	590,033
S I Freshwater	(notes 2, 3 & 4)	89,270	89,270

### Notes:

1. All the above holdings were beneficially owned. Mr B S E Freshwater's shareholding represents 3.6% of the Issued Share Capital of the Company.
2. A further 4,363,116 shares (1996-4,363,116) representing 26.8% of the Issued Share Capital of the Company 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 holding 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 31 March 1997 a total of 7,876,431 shares (1996-7,876,431) representing 48.3% of the Issued Share Capital of the Company. Mr D Davis has a non-beneficial interest in some of these shares as a Director of the companies concerned, or as a trustee.
4. Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.
5. There have been no changes in any of the above interests since 31 March 1997.

Included in notes 2 and 3 are the following holdings, each amounting to 3% or more of the Company's Issued Share Capital:

**DIRECTORS' REPORT**  
CONTINUED

	Shares	%
Henry Davies (Holborn) Limited	1,934,090	11.7
Trustees of the B S E Freshwater Settlement	1,705,000	10.5
Trustees of the S I Freshwater Settlement	1,560,000	9.6
Distinctive Investments Limited	1,464,550	9.0
Quoted Securities Limited	1,305,631	8.0
Centremanor Limited	1,000,000	6.1
Mayfair Charities Limited	565,000	3.5

No other interest amounting to 3% or more of the Issued Share Capital has been notified to the Company as at the date of this report.

**Capital Gains Tax**

For the purpose of computing Capital Gains Tax the market value of the Company's Shares was 185p on 31 March 1982.

**Charitable Donations**

During the year the Group made charitable donations totalling £60,000 (1996-£60,000) net under Deed of Covenant.

**Auditors**

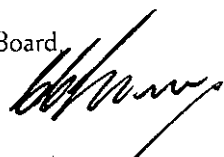
Our auditors, KPMG Audit Plc have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company, and to authorise the Directors to determine their remuneration, is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

C C MORSE

Secretary

22 August 1997





### General matters

The Board is required by the Stock Exchange to report on the extent of its compliance with specified provisions contained within the Code of Best Practice drawn up by the Cadbury Committee on Corporate Governance.

## CORPORATE GOVERNANCE

Your Board supports fully the goal of better Corporate Governance which inspired the Cadbury Committee recommendations and we comply with the majority of items in the code.

We do not comply with the code's recommendation in connection with non-executive representation on the Board, as we are doubtful that further extending non-executive participation at present would

benefit our shareholders. We consider it vital that the principles of a unitary Board of Directors sharing responsibility for all facets of the Company's business should not be undermined by reserving areas of decision making solely for the non-executive Directors. For this reason the matters which the code recommends should be reserved for audit and remuneration committees are dealt with by the whole Board and it is intended to continue this practice. In view of the fact that the Board comprises only three Directors it is also not considered necessary to split the roles of Chairman and Chief Executive.

Changes should be made when they are appropriate and in the best interests of the Company, rather than for the sake of change itself. This Company has a successful track record and whilst your Board will continue to keep under review any proposals which may improve the efficiency of its operations, the current structure has stood the Company in good stead over many years and should continue to do so in the future.

### Internal Controls

The Directors are responsible for the effectiveness of the Group's systems of internal financial control. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can provide reasonable, but not absolute assurance against material misstatement or loss.

The key control procedures in operation within the Group are:

The Board – the full board examine the half year and annual statements. The executive Directors review key information to assist them in identifying and considering business risks.

Control environment – there is a clear organisational structure with well defined lines of responsibility and delegation of authority.

Operating controls – financial and operating controls and procedures are in place throughout the organisation which are monitored by ongoing routines and ad hoc reviews.

Financial reporting – forecasts are produced annually and approved by the Board. Regular informal meetings are held between the Board and senior executives to monitor progress against the forecasts which are updated formally every six months.

Investment appraisal – detailed appraisals are carried out before embarking on any capital project. Board approval is required for all major items of capital expenditure.

The Directors have reviewed the framework of internal financial control and have considered its appropriateness for the Group and its effectiveness in relation to the "Criteria for assessing effectiveness" described in "Internal control and financial reporting" issued by the Cadbury Internal Control Working Group.

### Compliance with the Code of Best Practice during the year ended 31 March 1997

The Board considers that the Company has complied with the Code of Best Practice with the exception of the following paragraphs:

<i>paragraph</i>	<i>subject</i>
1.2	division of responsibilities between chairman and chief executive
2.1	} selection, appointment and independence of non-executive Directors
2.2	
2.3	
2.4	

### Going Concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### Auditors' review

The auditors, KPMG Audit Plc, have confirmed that in their opinion: with respect to the Directors' statements on internal financial control and going concern, the Directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and the statements are not inconsistent with the information of which they are aware from their audit work on the accounts; and that the Directors' statement appropriately reflects the Company's compliance with the other paragraphs of the Code of Best Practice specified by the Listing Rules for their review. They have carried out their review in accordance with guidance issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures, or on the ability of the Group to continue in operational existence.

### 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 the affairs of the Company and of the Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:-

### DIRECTORS' RESPONSIBILITIES

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities.

### Report of the Auditors to the Members of Daejan Holdings PLC

### AUDITORS' REPORT

We have audited the financial statements on pages 11 to 24 and examined the detailed information on directors' remuneration set out in the Directors' Report on page 5.

#### Respective responsibilities of Directors and Auditors

As described above 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 those statements and to report our opinion to you.

#### Basis of opinion

We 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 made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 affairs of the Company and the Group as at 31 March 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*  
KPMG Audit Plc

Chartered Accountants

Registered Auditor

London

22 August 1997

	Notes	1997 £000	1996 £000
Net Rental Income	2	28,061	22,829
Surplus on Sale of Trading Properties	2	7,637	3,733
Other Income	3	80	88
Gross Profit		35,778	26,650
Administrative and Other Expenses		(4,910)	(4,647)
Operating Profit from Continuing Operations		30,868	22,003
Surplus on Sale of Investment Properties	2	1,698	781
Net Interest Payable and Other Similar Items	4	(8,074)	(2,202)
Profit on Ordinary Activities before Taxation	5	24,492	20,582
Tax on Profit on Ordinary Activities	6	(7,741)	(6,053)
Profit on Ordinary Activities after Taxation	7	16,751	14,529
Minority Interests — Equity		(25)	(26)
Profit Attributable to Equity Shareholders		16,726	14,503
Dividends: 1st Interim		(2,607)	(2,607)
2nd Interim		(2,607)	—
Final		(978)	(3,096)
Retained Profit for the Year	18	10,534	8,800
Earnings per Share	8	102.6p	89.0p

The notes on pages 16 to 24 form part of these Financial Statements.

# CONSOLIDATED BALANCE SHEET

DAEJAN HOLDINGS PLC

AS AT 31 MARCH 1997

	Notes	£000	1997 £000	£000	1996 £000
<b>FIXED ASSETS</b>					
Tangible Assets	9		330,333		320,266
Investments	10		617		617
			<u>330,950</u>		<u>320,883</u>
<b>CURRENT ASSETS</b>					
Properties held for Trading	11	42,049		42,922	
Debtors: Due within one year	12	15,189		16,157	
Due after one year	12	6,691		7,214	
		<u>21,880</u>		<u>23,371</u>	
Investments	13	845		1,384	
Cash at Bank		<u>16,182</u>		<u>7,005</u>	
		80,956		74,682	
Creditors falling due within one year	14	(45,740)		(91,812)	
Net Current Assets/(Liabilities)			<u>35,216</u>		<u>(17,130)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>366,166</u>		<u>303,753</u>
Creditors falling due after more than one year	15		(92,038)		(52,368)
Provisions for liabilities and charges	16		(1,085)		(1,129)
<b>NET ASSETS</b>			<u><u>273,043</u></u>		<u><u>250,256</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up Share Capital	17		4,074		4,074
Share Premium Account	18		555		555
Revaluation Reserve	18		127,788		116,874
Other Reserves	18		4,227		4,465
Profit and Loss Account	18		<u>135,791</u>		<u>123,722</u>
Shareholders' funds — Equity			272,435		249,690
MINORITY INTERESTS — Equity			<u>608</u>		<u>566</u>
			<u><u>273,043</u></u>		<u><u>250,256</u></u>

The Financial Statements on pages 11 to 24 were approved by the Board of Directors on 22 August 1997 and were signed on its behalf by:

B S E FRESHWATER

D DAVIS

Directors

The notes on pages 16 to 24 form part of these Financial Statements.

AS AT 31 MARCH 1997

	Notes	£000	1997 £000	£000	1996 £000
<b>FIXED ASSETS</b>					
Investment in subsidiary undertakings	19		285,627		309,552
<b>CURRENT ASSETS</b>					
Debtors: Due within one year	12	—		200	
Due after one year	12	4,063		4,180	
		<u>4,063</u>		<u>4,380</u>	
Creditors falling due within one year	14	(14,583)		(63,521)	
Net Current Liabilities			<u>(10,520)</u>		<u>(59,141)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			275,107		250,411
Creditors falling due after more than one year	15		(2,672)		(721)
NET ASSETS			<u>272,435</u>		<u>249,690</u>
<b>CAPITAL AND RESERVES</b>					
Called up Share Capital	17		4,074		4,074
Share Premium Account	18		555		555
Revaluation Reserve	18		136,183		207,722
Profit and Loss Account	18		131,623		37,339
			<u>272,435</u>		<u>249,690</u>

The Financial Statements on pages 11 to 24 were approved by the Board of Directors on 22 August 1997 and were signed on its behalf by:

B S E FRESHWATER

D DAVIS

Directors

The notes on pages 16 to 24 form part of these Financial Statements.

# CASH FLOW STATEMENT

DAEJAN HOLDINGS PLC

FOR THE YEAR ENDED 31 MARCH 1997

	£000	1997 £000	£000	1996 £000
Net cash inflow from operating activities (note 20(i))		31,573		20,362
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	1,583		2,945	
Interest paid	(9,242)		(5,232)	
Net cash outflow from returns on investments and servicing of finance		(7,659)		(2,287)
TAXATION				
UK Corporation tax paid	(6,918)		(7,300)	
Overseas tax paid	(2)		(9)	
		(6,920)		(7,309)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of investment properties	(353)		(81,003)	
Sale of investment properties	3,903		2,453	
Sale of fixed asset investment	—		44	
Net cash inflow/(outflow) from investing activities		3,550		(78,506)
EQUITY DIVIDENDS PAID		(5,703)		(5,866)
CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		14,841		(73,606)
MANAGEMENT OF LIQUID RESOURCES AND FINANCING				
Repayment of secured loans	(47,584)		—	
New secured loan repayable 2015	49,000		—	
Repayment of mortgage loans	(1,669)		(112)	
Repayment of Unsecured loan stock	(1,136)		(1,139)	
Repayment of Debenture stock	—		(531)	
Net cash outflow from financing (note 20(iii))		(1,389)		(1,782)
Increase/(decrease) in cash (note 20(iii))		13,452		(75,388)

The notes on pages 16 to 24 form part of these Financial Statements.

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 1997

	1997 £000	1996 £000
Profit for the year after taxation and minority interests	16,726	14,503
Unrealised surplus on revaluation of investment properties	12,903	1,560
Tax on realisation of revalued properties	(441)	(299)
Translation differences on foreign currency net investments	(251)	142
Total net recognised gains relating to the year	<u>28,937</u>	<u>15,906</u>

## NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 1997

	1997 £000	1996 £000
Reported profit on ordinary activities before taxation	24,492	20,582
Realisation of investment property revaluation gains of previous years	1,989	1,337
Historical cost profit on ordinary activities before taxation	<u>26,481</u>	<u>21,919</u>
Historical cost profit for the year retained in the profit and loss account after tax, minority interests and dividends	<u>12,082</u>	<u>9,838</u>

## RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH 1997

	1997 £000	1996 £000
Profit for the year after taxation and minority interests	16,726	14,503
Dividends: 1st Interim	(2,607)	(2,607)
2nd Interim	(2,607)	(—)
Final	(978)	(3,096)
Retained profit for the year	<u>10,534</u>	<u>8,800</u>
Other net recognised gains and losses relating to the year	<u>12,211</u>	<u>1,403</u>
Net increase in shareholders' funds	<u>22,745</u>	<u>10,203</u>
Equity Shareholders' funds brought forward	<u>249,690</u>	<u>239,487</u>
Equity Shareholders' funds carried forward	<u>272,435</u>	<u>249,690</u>



**1 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 Financial Statements.

**(a) Basis of Accounting**

The Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost convention modified by the revaluation of investment properties (note 1(g)) and investments in subsidiary undertakings (note 1(k)) and with the Companies Act 1985 except as noted below under note 1(d).

**(b) Consolidation and Presentation of Financial Information**

The Group Financial Statements consist of a consolidation of the Financial Statements of the Company with those of its subsidiary undertakings. All Financial Statements are drawn up to 31 March.

The Financial Statements of certain subsidiary undertakings have not been consolidated (see note 19). A separate profit and loss account dealing with the results of the Company only has not been presented, in accordance with Section 230(4), Companies Act 1985.

Changes in the presentation of the Group's cash flow statement have been made consequent upon the adoption of the revised Financial Reporting Standard No. 1 'Cash Flow Statements'. Comparative figures have been restated in accordance with the revised presentation.

**(c) Income Available for Distribution**

Under the Articles of Association of certain Group investment undertakings, realised capital surpluses are not available for distribution as dividends and these surpluses are transferred from Consolidated Profit and Loss Account to Other Non-Distributable Reserves.

**(d) Depreciation**

In accordance with Statement of Standard Accounting Practice No. 19 (as amended) 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 Group's investment properties, may be a departure from the requirements of the Companies Act 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 or amortisation is only one 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 period of the lease.

**(e) Acquisitions and Disposals of Properties**

Acquisitions and disposals are accounted for at the date of 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 Financial Statements, and is calculated on the liability method.

Provision is made for deferred taxation in respect of those timing differences which are expected to crystallise in the foreseeable future.

**(g) Properties****(i) Investment Properties**

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. Any surplus, and any temporary deficit is transferred to the revaluation reserve, and on realisation this surplus or deficit is transferred to the cumulative Consolidated Profit and Loss Account. Deficits which are expected to be permanent are charged to profit and loss account, and subsequent reversals of such deficits are credited to profit and loss account in the same way.

**(ii) Trading Properties**

Trading properties are stated at the lower of cost and net realisable value.

**(h) Foreign Currencies**

Foreign currency borrowings and the assets, liabilities and results of the overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Differences on exchange arising from the translation of opening balance sheets of overseas companies at year end rates and on foreign currency borrowings used to finance long term foreign equity investments are taken directly to Non-Distributable Reserves. Other differences on exchange are dealt with in the Profit and Loss Account.

**(i) Sales of Investment Properties**

It is Group policy 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 Group profit on ordinary activities, and taxation applicable thereto is shown as part of the taxation charge.

**(j) Repairs**

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

**(k) Investments in Subsidiary Undertakings**

Investments in subsidiary undertakings are included in the Company Balance Sheet at Directors' valuation carried out at regular intervals and based on net asset value.

**(l) Related Party Transactions**

The Company has taken advantage of the exemption in Financial Reporting Standard No. 8 'Related Party Disclosures' in order to dispense with the requirement to disclose transactions with other group companies.

**2 GROUP TURNOVER**

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

	Turnover £000	Cost of turnover £000	1997 Gross profit £000	Turnover £000	Cost of turnover £000	1996 Gross profit £000
Rents and service charges receivable (see (i) below)	47,847	(19,786)	28,061	40,467	(17,638)	22,829
Trading property sales	9,974	(2,337)	7,637	4,604	(871)	3,733
Investment property sales	4,110	(2,412)	1,698	2,381	(1,600)	781
	61,931	(24,535)	37,396	47,452	(20,109)	27,343

The geographical analysis of turnover, profit and net assets is as follows:

	UK £000	USA £000	1997 Total £000	UK £000	USA £000	1996 Total £000
Turnover	58,729	3,202	61,931	44,292	3,160	47,452
Profit before financing charges	31,974	592	32,566	22,355	429	22,784
Financing charges	(8,071)	(3)	(8,074)	(2,171)	(31)	(2,202)
Profit on ordinary activities before taxation	23,903	589	24,492	20,184	398	20,582
Net assets	260,766	12,277	273,043	238,911	11,345	250,256

CONTINUED

**2 GROUP TURNOVER (CONTINUED)**

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

	1997 £000	1996 £000
Wages and salaries	1,118	1,116
Social security costs	90	90
	<u>1,208</u>	<u>1,206</u>

These figures relate only to portering staff of whom an average number of 122 (1996 – 123) were employed during the year.

**3 OTHER INCOME**

	1997 £000	1996 £000
Share of USA partnerships' results	44	17
Sundry income	36	71
	<u>80</u>	<u>88</u>

**4 NET INTEREST PAYABLE AND OTHER SIMILAR ITEMS**

	1997 £000	1996 £000
Interest payable on bank loans and overdrafts:		
Repayable within 5 years	3,233	2,342
Repayable after more than 5 years	6,136	3,107
	<u>9,369</u>	<u>5,449</u>
Less: Interest receivable	(1,595)	(2,945)
Foreign exchange movements	300	(302)
	<u>8,074</u>	<u>2,202</u>

**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	1997 £000	1996 £000
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors' remuneration: Audit services	288	272
Non-audit services	—	37
	<u>—</u>	<u>309</u>

Included in auditors' non audit remuneration are amounts payable to the auditor and its associate.

Information regarding directors' emoluments is disclosed in the Directors' Report under "Remuneration" on page 5.

Staff costs (excluding directors' remuneration):

	1997 £000	1996 £000
Salaries	2,283	2,252
Social Security costs	200	197
Pension contributions	128	108
	<u>2,611</u>	<u>2,557</u>

These figures are the Group's proportion of Administrative Staff costs and are equivalent to an average of 140 employees (1996 – 140 employees)

**6 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1997 £000	1996 £000
(a) Taxation based on the profit for the year of the Company and its subsidiaries		
UK corporation tax at 33% (1996 – 33%)	7,540	6,310
Overseas taxation	2	—
Deferred taxation	114	(5)
	7,656	6,305
Prior years' provisions	85	(252)
	7,741	6,053
	1997 £000	1996 £000
(b) Deferred Taxation Asset		
Short term timing differences		
At 1 April 1996	114	109
(Charge)/credit for the year	(114)	5
At 31 March 1997 (Note 12)	—	114

Note 16 sets out the Group's deferred taxation provision.

**7 PROFIT FOR THE YEAR**

Profit after taxation of £100,476,000 (1996 – £11,851,000) arises in the holding company, £99,450,000 being dividends paid by subsidiary companies.

**8 EARNINGS PER SHARE**

Earnings per share is calculated on earnings, after taxation and minority interests, of £16,726,000 (1996 – £14,503,000) and the weighted average number of shares in issue during the year of 16,295,357 shares (1996 – 16,295,357).

**9 TANGIBLE ASSETS – INVESTMENT PROPERTIES**

	Freehold £000	Long Leasehold £000	Short Leasehold £000	Total 1997 £000
At Valuation 1 April 1996	245,303	61,723	13,240	320,266
Additions	353	—	—	353
Disposals	(1,934)	(184)	(87)	(2,205)
Adjustment to Original Cost	(924)	(77)	—	(1,001)
Revaluation	10,847	1,955	118	12,920
At Valuation 31 March 1997	253,645	63,417	13,271	330,333

The historical cost of investment properties is £200,887,000.

A professional valuation of all the Group's United Kingdom investment properties was carried out at 31 March 1997 by Cardales, Chartered Surveyors. The revalued figures are based on open market values in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual. (See report on page 25.)

**10 INVESTMENTS HELD AS FIXED ASSETS**

Investments held as fixed assets represent an interest in syndicates holding industrial buildings.

	UK £000	USA £000	1997 Total £000	UK £000	USA £000	1996 Total £000
<b>11 PROPERTIES HELD FOR TRADING</b>						
At the lower of cost and net realisable value	23,144	18,905	42,049	24,673	18,249	42,922

£5,800,000 (1996 – £6,200,000) of the properties held for trading in the USA are held through shares in co-operative corporations

CONTINUED

<b>12 DEBTORS</b>	<i>The Group</i> 1997 £000	1996 £000	<i>The Company</i> 1997 £000	1996 £000
Rents and service charges	9,911	11,488	—	—
Other debtors and prepayments	5,278	4,555	—	200
Short term timing differences (note 6(b))	—	114	—	—
Due within one year	15,189	16,157	—	200
Mortgages granted repayable after one year	5,795	6,440	3,167	3,406
ACT recoverable after one year	896	774	896	774
Due after one year	6,691	7,214	4,063	4,180
	21,880	23,371	4,063	4,380

<b>13 INVESTMENTS HELD AS CURRENT ASSETS</b>	1997 £000	1996 £000
Investments in USA partnerships (see note below)	707	1,217
Listed securities at the lower of cost and net realisable value (Market value £158,000 (1996 – £145,000))	101	125
Other	37	42
	845	1,384
	1997 £000	1996 £000
Note: Net Assets of USA partnerships comprise:		
Shares in co-operative corporations	1,484	1,541
Mortgages granted	178	379
Cash and other assets	268	248
	1,930	2,168
Less: Creditors repayable within one year	(448)	(207)
	1,482	1,961
Group share of net assets including premium on acquisition	707	1,217

<b>14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<i>The Group</i> 1997 £000	1996 £000	<i>The Company</i> 1997 £000	1996 £000
Debenture stock 1992–97 (7.75%)	550	—	—	—
Unsecured loan stock 1991–96 (7.75%)	—	1,119	—	—
Mortgage advances (7.75–11.00%)	4,958	2,870	—	22
Bank loans and overdrafts (see note below)	11,629	59,448	8,730	58,201
Rents and service charges charged in advance	9,639	9,152	—	—
Other creditors and accruals	7,165	9,183	464	560
Taxation	8,214	6,944	1,804	1,642
Dividends payable	3,585	3,096	3,585	3,096
	45,740	91,812	14,583	63,521

Note: Bank loans and overdrafts of the Group and of the Company are secured on certain of the Group's properties.

<b>15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<i>The Group</i> 1997 £000	1996 £000	<i>The Company</i> 1997 £000	1996 £000
Debentures	—	550	—	—
Unsecured loan stocks	1,840	1,857	—	—
Mortgage advances	45,235	49,961	—	101
Amounts due to subsidiary undertakings	—	—	2,672	620
Secured bank loan	44,963	—	—	—
	<b>92,038</b>	<b>52,368</b>	<b>2,672</b>	<b>721</b>

## Analysis of creditors falling due after more than one year

	<i>Interest Rate</i>	<i>The Group</i> 1997 £000	1996 £000	<i>The Company</i> 1997 £000	1996 £000
Amounts repayable after 1 April 2002					
Unsecured loan stock 2002-07	8.25%	1,840	1,857	—	—
Mortgages	7.30%–10.75%	36,234	38,679	—	—
Amounts due to subsidiary undertakings		—	—	2,672	620
Secured bank loan	8.85%	32,443	—	—	—
		<b>70,517</b>	<b>40,536</b>	<b>2,672</b>	<b>620</b>

## Amounts repayable between 1 April 1999 and 31 March 2002

Mortgages	7.30%–10.75%	7,360	8,040	—	101
Secured bank loan	8.85%	10,090	—	—	—
		<b>17,450</b>	<b>8,040</b>	<b>—</b>	<b>101</b>

## Amounts repayable between 1 April 1998 and 31 March 1999

Mortgages	7.30%–10.75%	1,641	3,242	—	—
Debenture stock 1992-97	7.75%	—	550	—	—
Secured bank loan	8.85%	2,430	—	—	—
		<b>4,071</b>	<b>3,792</b>	<b>—</b>	<b>—</b>

## Total amount of Long Term Loans

		<b>92,038</b>	<b>52,368</b>	<b>2,672</b>	<b>721</b>
Amount of Long Term Loans secured on certain of the Group's properties		<b>90,198</b>	<b>50,511</b>	<b>—</b>	<b>101</b>

The bank loan is repayable by instalments terminating December 2015.

**16 PROVISIONS FOR LIABILITIES AND CHARGES**

	<i>The Group</i> £000
Deferred taxation:	
At 1 April 1996	1,129
Foreign exchange movement	(44)
At 31 March 1997	<b>1,085</b>

Apart from the above items there was at 31 March 1997 a potential liability for deferred taxation in respect of Industrial Building Allowances of £1,177,000. No provision has been made in these Financial Statements in respect of this liability as it is not expected to crystallise in the foreseeable future.

In the event of a realisation of the Group's investment properties at an amount equal to the valuation recorded in the Financial Statements, a liability to corporation tax on chargeable gains would arise estimated at not more than £17.3m and for which no provision has been made in these Financial Statements.

**16 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)**

No provision has been made for potential liabilities which might arise in the event of disposal of properties revalued in the Financial Statements or for capital gains deferred in accordance with the provisions of the Taxation of Chargeable Gains Act 1992 as the directors are of the opinion that the likelihood of any material liability arising is remote.

**17 SHARE CAPITAL**

	Number	1997 £000	1996 £000
Authorised:			
Ordinary shares of 25 pence per share	18,722,596	4,681	4,681
Allotted, called up and fully paid:			
Ordinary shares of 25 pence per share	16,295,357	4,074	4,074

**18 RESERVES**

	The Group £000	The Company £000
Share Premium Account:		
At 1 April 1996 and 31 March 1997	555	555
Revaluation Reserve:		
At 1 April 1996	116,874	207,722
Transfer to profit and loss account of revaluation surplus on investment properties now realised	(1,989)	
Fixed asset revaluation net of minority interests	12,903	(71,539)
At 31 March 1997	127,788	136,183
Other Non-Distributable Reserves:		
At 1 April 1996	4,465	—
Translation differences on foreign currency net investments	(251)	—
Transfer from profit and loss account	13	—
At 31 March 1997	4,227	Nil
Profit and Loss Account:		
At 1 April 1996	123,722	37,339
Revaluation reserve realised on disposal	1,989	—
Tax on revaluation reserve realised	(441)	—
Transfer to other non-distributable reserves	(13)	—
Retained profit for the year	10,534	94,284
At 31 March 1997	135,791	131,623

The revaluation reserves arise from the revaluation of investment properties and investments in subsidiary undertakings in the Group and Company respectively.

**19 INVESTMENT IN SUBSIDIARY UNDERTAKINGS**

	Shares at valuation £000	Loans £000	Total £000
At 1 April 1996	217,507	92,045	309,552
Additions	1,155	47,048	48,203
Revaluation	(71,539)	—	(71,539)
Effect of foreign exchange differences	(589)	—	(589)
At 31 March 1997	146,534	139,093	285,627

The historical cost of shares in subsidiary undertakings is £11,040,000 (1996 – £9,885,000).

Shares in subsidiary undertakings have been valued by the Directors at 31 March 1997 based on the net asset values of the subsidiary undertakings.

**19 INVESTMENT IN SUBSIDIARY UNDERTAKINGS (CONTINUED)**

The results of certain subsidiary undertakings, acquired at a cost of £146,000 and valued by the Directors at £Nil (1996 – £nil) have been excluded from the Consolidated Financial Statements. The combined profits since acquisition attributable to the Company as indicated by their financial statements amounted to £40,000 (1996 – £40,000) and their aggregate liabilities at 31 March 1997 were £54,000 (1996 – £54,000). The inclusion of these undertakings would not materially affect the Consolidated Financial Statements.

**20 CASH FLOW STATEMENT**

	1997 £000	1996 £000
(i) Reconciliation of operating profit to net cash inflow from operating activities.		
Operating profit	30,868	22,003
Increase in properties held for trading	(411)	(1,002)
Decrease/(increase) in debtors	1,186	(2,653)
(Decrease)/increase in creditors	(523)	1,940
Decrease in investments held as current assets	453	74
Net cash inflow from operating activities	31,573	20,362

## (ii) Reconciliation of net cash flow to movement in net debt

	1997 £000	1996 £000
Increase/(decrease) in cash	13,452	(75,388)
Secured loan repayable 2015	(49,000)	—
Repayment of financing	50,389	1,782
Change in net debt resulting from cash flows	14,841	(73,606)
Exchange movement	966	(844)
Change in net debt	15,807	(74,450)
Opening net debt	(108,800)	(34,350)
Closing net debt	(92,993)	(108,800)

## (iii) Analysis of changes in net debt

	1 April 1996 £000	Cash flow £000	Exchange movements £000	31 March 1997 £000
Cash at bank and in hand	7,005	9,221	(44)	16,182
Overdrafts	(4,319)	4,231	—	(88)
	2,686	13,452	(44)	16,094
Secured loans	(55,129)	(1,416)	41	(56,504)
Debenture stock	(550)	—	—	(550)
Unsecured loan stock	(2,976)	1,136	—	(1,840)
Mortgage advances	(52,831)	1,669	969	(50,193)
	(108,800)	14,841	966	(92,993)

**21 DIRECTORS' INTERESTS IN CONTRACTS**

Day-to-day management of the Group's properties in the United Kingdom is partly 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 are 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.



**21 DIRECTORS' INTERESTS IN CONTRACTS (CONTINUED)**

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

<i>Highdorn Co. Ltd</i>		<i>Freshwater Property Management Ltd</i>	
<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
1,404	1,464	1,030	1,025

At 31 March 1997 £969,000 was due to Highdorn Co. Limited and £345,000 was due from Freshwater Property Management Limited.

**22 CONTINGENT LIABILITIES**

The Company has guaranteed bank and mortgage indebtedness and unsecured loan stock of certain subsidiary undertakings which at 31 March 1997 amounted to £39.6m (1996 – £41.4m).

The Group is from time to time party to legal actions arising in the ordinary course of business. The Directors are advised that there are no current actions which could have a material adverse effect on the financial position of the Group.

**23 PRINCIPAL SUBSIDIARY UNDERTAKINGS**

Except where otherwise indicated the following are wholly owned property companies included in the Consolidated Financial Statements.

All subsidiary undertakings operate in their country of incorporation.

*Incorporated in Great Britain and registered in England and Wales*

Astral Estates (London) Limited	Daejan (Kingston) Limited
Bampton Holdings Limited	Daejan (Lauderdale) Limited
Bampton (B&B) Limited	Daejan Properties Limited
Bampton (Redbridge) Limited (75%)	Daejan (Reading) Limited
Brickfield Properties Limited	Daejan Retail Properties Limited
City and Country Properties Limited	Daejan Securities Limited – <i>Share Dealer</i>
City & Country Properties (Birmingham) Limited	Daejan (Taunton) Limited
City and Country Properties (Camberley) Limited	Daejan (Warwick) Limited
City and Country Properties (Midlands) Limited	Daejan (Worcester) Limited
Chilon Investments Co. Limited	Hampstead Way Investments Limited
Daejan (Brighton) Limited	Limebridge Co. Limited
Daejan (Cardiff) Limited	Pegasus Investment Company Limited
Daejan Commercial Properties Limited	Rosebel Holdings Limited
Daejan (Dartford) Limited	Seaglen Investments Limited
Daejan Developments Limited	St. Leonards Properties Limited
Daejan (Durham) Limited	The Bampton Property Group Limited
Daejan Estates Limited	The Cromlech Property Co. Limited
Daejan (High Wycombe) Limited	The Halliard Property Co. Limited
Daejan Investments Limited	
Daejan Investments (Grove Hall) Limited	<i>Incorporated in the USA</i>
Daejan Investments (Harrow) Limited	Daejan Holdings (US) Inc.
Daejan Investments (Park) Limited	Daejan (NY) Limited
	Daejan Enterprises Inc.

The Directors,  
Daejan Holdings PLC  
158-162 Shaftesbury Avenue  
London  
WC2H 8HR

Gentlemen,

As instructed we have valued for the purpose of your Company's accounts, the properties owned by your Company and its subsidiaries in the United Kingdom as at 31 March 1997. The properties are listed in our separate detailed schedules.

We have not had access to Title Deeds and our valuation is on the basis of the information supplied to us by you as to tenure and occupancy and other relevant information.

The properties have been valued individually on the basis of open market value and in the case of Freshwater House on the basis of Existing Use Value in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors, Appraisal and Valuation Manual.

No allowance has been made for expenses of realisation or for any taxation which may arise, and our valuations are expressed exclusive of any Value Added Tax that may become chargeable.

Our valuations assume that the properties are free from any undisclosed onerous burdens, outgoings or restrictions. We have not seen planning consents and have assumed that the properties have been erected and are being occupied and used in accordance with all requisite consents.

We have not carried out Structural Surveys of the properties nor have we tested the services. Our valuations assume that the buildings contain no deleterious materials.

We confirm that the valuations have been carried out by us as External Valuers qualified for the purpose of the valuation.

The valuation is made with the benefit of the Schedule of Standard Assumptions, Caveats, Limitations and Basis of Valuation provided to you and in accordance with instructions, the properties are inspected on a 3 yearly cycle, one-third by value being inspected each year.

Having regard to the foregoing we are of the opinion that the aggregate of the values of your Company's interests as at 31 March 1997 is £417,153,000 (Four Hundred and Seventeen Million, One Hundred and Fifty Three Thousand Pounds).

In accordance with our standard practice, we must state that this valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

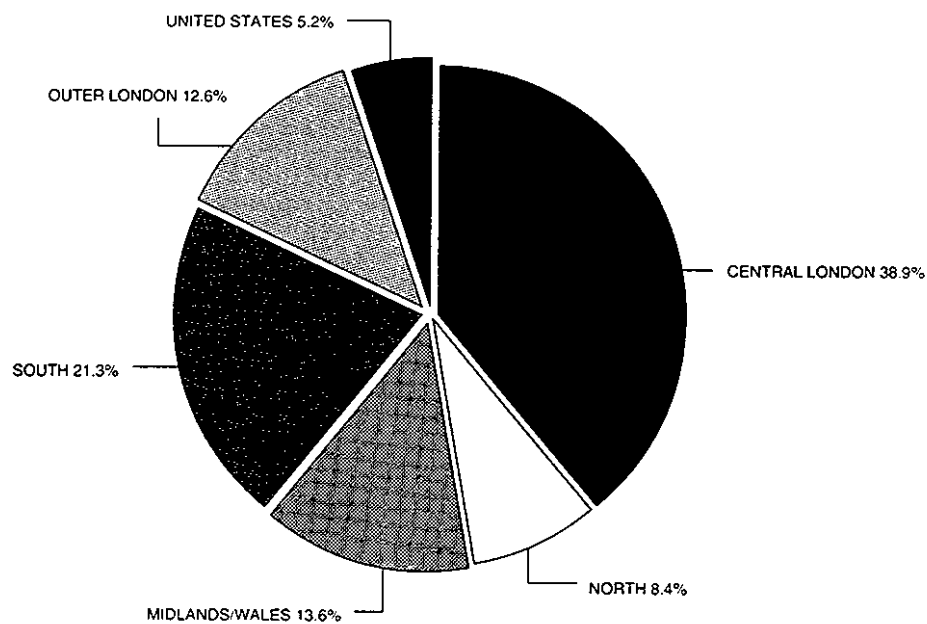
Yours faithfully,

*Cardales*  
Chartered Surveyors  
1 Lumley Street,  
London W1Y 2ND

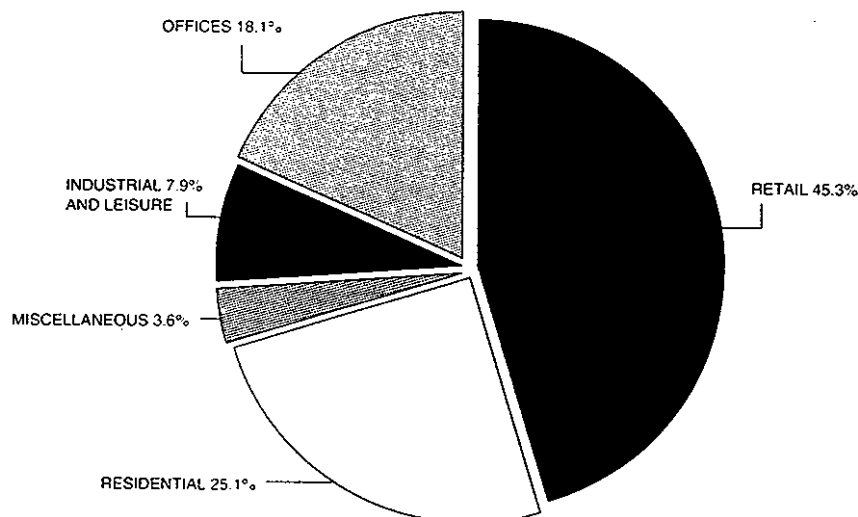
8 August 1997

Analysis of Group Property Portfolio in the U.K.  
and U.S.A. based on valuation of investment  
and trading properties as at 31st March 1997.  
Total valuation £439,962,000.

## LOCATION FACTOR



## PROPERTY FACTOR



	1993 £000	1994 £000	1995 £000	1996 £000	1997 £000
Net Rental Income	16,392	19,095	21,548	22,829	28,061
Surplus on Sale of Trading Properties	6,422	7,890	7,335	3,733	7,637
Other Income	169	90	22	88	80
	22,983	27,075	28,905	26,650	35,778
Group Profit before Taxation	16,719	19,457	23,917	20,582	24,492
Taxation	3,498	5,467	5,842	6,053	7,741
Minority Interests	23	17	18	26	25
Available Surplus	13,198	13,973	18,057	14,503	16,726
Earnings: p. per share	81.0	85.7	110.8	89.0	102.6
Dividends: p. per share	27.0	29.0	32.0	35.0	38.0
Gross Assets	306,274	344,561	330,422	395,565	411,906
Equity Shareholders' funds	193,730	223,458	239,487	249,690	272,435
Equity Shareholders' funds: £ per share (based on balance sheet figures)	11.89	13.71	14.70	15.32	16.72
Represented by:					
Share Capital	4,074	4,074	4,074	4,074	4,074
Reserves and Retained Profit	189,656	219,384	235,413	245,616	268,361
Equity Shareholders' funds	193,730	223,458	239,487	249,690	272,435