

DAEJAN HOLDINGS PLC

REPORT AND FINANCIAL STATEMENTS

1995

Company No. 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
8 Salisbury Square,
London EC4Y 3BB

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

Stockbrokers

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

Notice is hereby given that the Sixtieth 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 Friday, 8 September 1995 at 12.30 pm, for the following purposes:-

NOTICE OF MEETING

1. To receive the Financial Statements for the year ended 31 March 1995 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. As Special Business to consider the following Ordinary Resolution:-
"THAT the rate of the fee referred to in Article 81 of the Company's Articles of Association and payable to each of the Directors be and is hereby increased to such rate not exceeding £25,000 per annum as the Directors may from time to time determine". (Resolution 4)
The present rate is £3,500 per annum and was last increased on 4 September 1980.
5. To re-appoint KPMG as Auditors and to authorise the Directors to determine their remuneration. (Resolution 5).

By Order of the Board,

C C MORSE

Secretary

14 August 1995

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 2 October 1995 to Shareholders registered at the close of business on 18 July 1995.

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

RESULTS AT A GLANCE

	Year ended 31 March	
	1995	1994
	£000	£000
Profit before taxation	23,917	19,457
Profit after taxation	18,075	13,990
Earnings per share	110.8p	85.7p
Dividends per Share	32.0p	29.0p
Net Assets per Share (based on Balance Sheet values)	£14.70	£13.71

Final Dividend of 20p per share payable on 2 October 1995

CHAIRMAN'S STATEMENT

I am pleased to report that profits before tax for the year ended 31 March 1995, have increased from £19.45 million in the previous year, to £23.92 million. This has been another successful year for the Group and accordingly your Board is recommending a final dividend of 20p per share, which brings the total distribution for the year to 32p, an increase of 10.3% over the dividend for the previous year. These results reflect a creditable performance, notwithstanding that they include the benefit of the release of provisions of £2 million, previously made as a matter of prudent accounting, in respect of two areas of possible liability which have been satisfactorily resolved during the year.

Despite a lack of growth generally in UK rental values, the Group negotiated during the year more than 1,000 rent reviews and lease renewals which resulted in rental increases of £1.1 million per annum, the full benefits of which will be reflected in the current year. This supports our view that, with but a few exceptions, our properties are not "over-let" and are capable of providing a steady flow of investment income.

As I indicated last year, although maintaining previous levels of profit emanating from property sales, our Group has become less reliant on this source of income. Profits from sales of properties this year contributed 37% of total Pre Tax Profit as against 47% last year. Most of our sales are of vacant residential units and during the year under review were only marginally lower in value than during the previous year. However the continued weakness of the housing market has been more recently evidenced by a slowing of the rate of residential sales. In the first six months of this calendar year, the volume of sales has been 30% lower than in the same period in the previous year. There have been suggestions that the Government may try to revive the housing market and, if this happens, we stand to benefit.

Turning to the Balance Sheet, it is pleasing to note that following last year's substantial increase in the value of our investment properties, this year's valuation has revealed a further small, yet significant, increase. Our properties held by trading subsidiaries are re-valued quinquennially and were last revalued in 1992. However, in accordance with the relevant accounting requirements, these properties are stated in the accounts at original cost. We estimate that we still retain trading properties that were then valued with a surplus over cost of £48 million. Our net assets incorporating that surplus, but before allowing for tax on realization, are estimated at £287.45 million which is equivalent to £17.64 per share.

We have, during the year commenced our first commercial development since the start of the recession, with a small industrial development at Frimley Road, Camberley. Progress has also been made on other development projects. Planning permissions, or resolutions by the planning authority to grant permission, have been obtained for industrial developments totalling 200,000 square feet at Acton and at Fulham. We have also gained consent for 275,000 square feet of offices together with a retail and residential element, at Aldgate close to the City banking and insurance locations. Whilst, in the current climate, we intend to wait for a pre-letting of the space to suitable occupiers before progressing these developments, the achievement of planning consent for these schemes is the result of many years of patient effort which underpins the value of these land holdings.

The Group's finances remain very sound. We have maintained adequate cash reserves and loan facilities to promote measured and secure growth for the future. We continually monitor the property markets and whilst we have avoided dissipating our resources on "run of the mill" investments, we will make acquisitions when opportunities arise that meet our investment criteria.

It is difficult, at present, to forecast future levels of residential sales and thus the precise level of future profit. However the Group has performed well this year despite a difficult market, and next year I hope again to be able to report satisfactory results.

Finally, in all sincerity and not merely as a matter of form, I would like to take this opportunity to thank my colleagues and staff for all their energy and enthusiasm in helping to maintain the continued success of the Group.

B S E FRESHWATER
Chairman

The Directors have pleasure in presenting their Report together with the Financial Statements for the year to 31 March 1995.

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 property was carried out at 31 March 1995 by the Group's external valuers, Keith Cardale Groves (Commercial) Limited, Chartered Surveyors, and a copy of their report appears on page 24. The resultant figures have been included in the Financial Statements now presented and the increase of £3.8 million over previous book values has been transferred to Revaluation Reserve.

The Group's trading portfolio in both the UK and USA was professionally valued in 1992 and, at that time, had a surplus over book value of £58.9 million which was not incorporated into the Financial Statements. The Board are satisfied that, at 31 March 1995, properties held for trading and development still had a value substantially in excess of their book value.

Results and Dividend

The net earnings for the year, after all charges, amounted to £18,057,000. An Interim Dividend of 12p per share was paid on 16 March 1995 and the Directors now recommend the payment of a Final Dividend of 20p per share, making a total for the year of 32p per share, an increase of 3p over the previous year. The dividends will absorb £5,214,000 and will leave £12,843,000 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/(loss)	
	UK £000	USA £000	UK £000	USA £000
Rents and Charges	36,518	2,731	20,976	572
Sales of Properties	12,782	113	8,762	113
Other Activities (including share of USA partnership profits)	—	—	51	(29)
	<u>49,300</u>	<u>2,844</u>	<u>29,789</u>	<u>656</u>
Financing Charges (net)			(2,188)	(20)
Administrative and Other Expenses			(4,083)	(237)
			<u>23,518</u>	<u>399</u>
			399	
Profit before taxation			<u>23,917</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.



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' 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 of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 where appropriate.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group 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.

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.

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.

The only other contracts in which Directors were materially interested were those entered into in the normal course of business and at normal commercial rates.

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

Daejan Holdings PLC

Ordinary Shares

31 March 31 March

1995 1994

D Davis (notes 2 & 3) 763 763

B S E Freshwater (notes 2, 3 & 4) 590,033 590,033

S I Freshwater (notes 2, 3 & 4) 89,270 89,270

DIRECTORS'
REPORT
CONTINUED

Notes:

1. All the above holdings were beneficially owned.
2. A further 4,363,116 shares (1994-4,363,116) 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 1995 a total of 7,876,431 shares (1994-7,876,431). 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 1995.

Substantial Interests

At the date of this Report the Company had been notified that, other than Directors, the following shareholders held Ordinary Shares, as trustees or nominees only and with no beneficial interest, amounting to 3% or more of the Company's Issued Share Capital:

	Shares	%
Trustees of the B S E Freshwater Settlement (a)	1,705,000	10.5
Trustees of the S I Freshwater Settlement (a)	1,560,000	9.6

(a) These are part of the shares referred to in Note 2 above.

Income and Corporation Taxes Act 1988

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 185p on 31 March 1982.

Charitable Donations

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

Auditors

On 6 February 1995, our auditors changed the name under which they practise to KPMG and, accordingly they have signed their report in their new name. A resolution will be proposed at the Annual General Meeting to re-appoint KPMG as auditors and to authorise the Directors to determine their remuneration.

By Order of the Board,
C C MORSE 
Secretary
7 August 1995

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. However there has been much comment on the code by the Chairmen and Boards of prominent companies and concerns have been raised over the value to shareholders of companies taking steps to comply with the letter of the code's requirements.

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 Daejan 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.

Compliance with the Code of Best Practice during the year ended 31 March 1995

The Board considers that the Company has complied with the Code of Best Practice with the exception of paragraph 4.5 (reporting on the effectiveness of the systems of internal control), for which compliance is not yet mandatory, and the following other 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	
3.3	} establishment of remuneration and audit committees
4.3	

The Board considers that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing these financial statements.

We have audited the financial statements on pages 9 to 23.

**REPORT OF THE AUDITORS,
KPMG,
TO THE MEMBERS OF
DAEJAN HOLDINGS PLC**

Respective responsibilities of Directors and Auditors

As described on page 5 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 1995 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

KPMG

Chartered Accountants

Registered Auditors

London

7 August 1995

FOR THE YEAR ENDED 31 MARCH 1995

	Notes	1995 £000	1994 £000
Net Rental Income	2	21,548	19,095
Surplus on Sale of Trading Properties	2	7,335	7,890
Other Income	3	22	90
Gross Profit		28,905	27,075
Administrative and Other Expenses		(4,320)	(4,719)
Operating Profit from Continuing Operations		24,585	22,356
Surplus on Sale of Investment Properties	2	1,540	1,280
Net Interest Payable	4	(2,208)	(4,179)
Profit on Ordinary Activities before Taxation	5	23,917	19,457
Taxation	6	(5,842)	(5,467)
Profit after Taxation	7	18,075	13,990
Minority Interests		(18)	(17)
Profit attributable to shareholders		18,057	13,973
Dividends: Interim		(1,955)	(1,955)
Final		(3,259)	(2,771)
Retained Profit for the Year	18	12,843	9,247
Earnings per Share	8	110.8p	85.7p

Movements in reserves are set out in note 18.

The notes on pages 14 to 23 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

DAEJAN HOLDINGS PLC

AS AT 31 MARCH 1995

	Notes	£000	1995 £000	£000	1994 £000
FIXED ASSETS					
Tangible Assets	9		236,009		234,150
Investments	10		661		658
			<u>236,670</u>		<u>234,808</u>
CURRENT ASSETS					
Properties held for Trading	11	40,790		44,600	
Debtors: Due within one year	12	15,404		15,920	
Due after one year	12	5,261		6,157	
Investments	13	1,376		1,403	
Cash at Bank		30,921		41,673	
		<u>93,752</u>		<u>109,753</u>	
Creditors falling due within one year	14	(34,009)		(59,484)	
Net Current Assets			<u>59,743</u>		<u>50,269</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>296,413</u>		<u>285,077</u>
Creditors falling due after more than one year	15		(55,227)		(59,852)
Provision for liabilities and charges	16		(1,090)		(1,150)
NET ASSETS			<u>240,096</u>		<u>224,075</u>
CAPITAL AND RESERVES					
Called up Share Capital	17		4,074		4,074
Share Premium Account	18		555		555
Revaluation Reserve	18		116,651		114,955
Other Reserves	18		4,365		4,528
Profit and Loss Account	18		113,842		99,346
Shareholders' funds — Equity			<u>239,487</u>		<u>223,458</u>
MINORITY INTERESTS — Equity			<u>609</u>		<u>617</u>
			<u>240,096</u>		<u>224,075</u>

The Financial Statements on pages 9 to 23 were approved by the Board of Directors on 7 August 1995 and were signed on its behalf by:

B S E FRESHWATER

D DAVIS

Directors

The notes on pages 14 to 23 form part of these financial statements.

AS AT 31 MARCH 1995

	Notes	£000	1995 £000	£000	1994 £000
FIXED ASSETS					
Investment in subsidiaries	19		251,403		258,350
CURRENT ASSETS					
Debtors: Due within one year	12	21		21	
Due after one year	12	4,008		4,776	
		<u>4,029</u>		<u>4,797</u>	
LIABILITIES					
Creditors falling due within one year	14	(13,147)		(35,724)	
Net Current Liabilities			<u>(9,118)</u>		<u>(30,927)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			242,285		227,423
Creditors falling due after more than one year	15		(2,798)		(3,965)
NET ASSETS			<u>239,487</u>		<u>223,458</u>
CAPITAL AND RESERVES					
Called up Share Capital	17		4,074		4,074
Share Premium Account	18		555		555
Revaluation Reserve	18		203,667		195,436
Profit and Loss Account	18		31,191		23,393
			<u>239,487</u>		<u>223,458</u>

The Financial Statements on pages 9 to 23 were approved by the Board of Directors on 7 August 1995 and were signed on its behalf by:

B S E FRESHWATER

D DAVIS

Directors

The notes on pages 14 to 23 form part of these financial statements.

CASH FLOW STATEMENT

DAEJAN HOLDINGS PLC

FOR THE YEAR ENDED 31 MARCH 1995

	£000	1995 £000	£000	1994 £000
Net cash inflow from operating activities (note 20(i))		24,783		24,055
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	2,535		2,023	
Interest paid	(5,690)		(6,495)	
Dividends paid	(4,726)		(4,400)	
Net cash outflow from returns on investments and servicing of finance		(7,881)		(8,872)
TAXATION				
UK Corporation tax paid	(6,413)		(4,084)	
Overseas tax paid	(11)		(9)	
		(6,424)		(4,093)
INVESTING ACTIVITIES				
Purchase of investment properties	(180)		(182)	
Sale of investment properties	3,429		3,413	
Net cash inflow from investing activities		3,249		3,231
Net cash inflow before financing		13,727		14,321
FINANCING				
New mortgage loans	—		(9,860)	
Repayment of mortgage loans	2,903		2,311	
Repayment of Unsecured loan stock	13		24	
Repayment of Debenture stock	—		500	
Net cash inflow/(outflow) from financing (note 20(iv))		2,916		(7,025)
Increase in cash and cash equivalents (note 20(ii))		10,811		21,346
		13,727		14,321

The notes on pages 14 to 23 form part of these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 1995

	1995 £000	1994 £000
Profit for the year after taxation and minority interests	18,057	13,973
Unrealised surplus on revaluation of investment properties	3,788	20,865
Tax on realisation of revalued properties	(439)	(413)
Translation differences on foreign currency net investments	(163)	29
Total net recognised gains relating to the year	21,243	34,454

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 MARCH 1995

	1995 £000	1994 £000
Reported profit on ordinary activities before taxation	23,917	19,457
Realisation of investment property revaluation gains of previous years	2,092	1,959
Historical cost profit on ordinary activities before taxation	26,009	21,416
Historical cost profit for the year retained in the profit and loss account after tax, minority interests and dividends	14,496	10,793

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 1995

	1995 £000	1994 £000
Profit for the year after taxation and minority interests	18,057	13,973
Dividends paid	(1,955)	(1,955)
Dividends proposed	(3,259)	(2,771)
Retained profit for the year	12,843	9,247
Other net recognised gains and losses relating to the year	3,186	20,481
Net increase in shareholders' funds	16,029	29,728
Shareholders' funds brought forward	223,458	193,730
Shareholders' funds carried forward	239,487	223,458

The notes on pages 14 to 23 form part of these financial statements.

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 are prepared in accordance with applicable accounting standards and under the historical cost convention as adjusted by the policy of accounting for investment properties referred to in note 1(g) and the policy of accounting for investments in subsidiary undertakings referred to in note 1(k).

(b) Consolidation

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.

(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 investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and 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 Company'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 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**

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 or deficit is transferred to a revaluation reserve, except for those deficits expected to be permanent which are included in the Profit and Loss Account, and on realisation is transferred to Cumulative Consolidated Profit and Loss Account.

(ii) Trading Properties

These 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.

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	1995 Gross profit £000	Turnover £000	Cost of turnover £000	1994 Gross profit £000
Rents and service charges receivable (see (i) below)	39,249	(17,701)	21,548	38,551	(19,456)	19,095
Trading property sales	9,097	(1,762)	7,335	9,782	(1,892)	7,890
Investment property sales	3,798	(2,258)	1,540	3,631	(2,351)	1,280
	52,144	(21,721)	30,423	51,964	(23,699)	28,265

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

	UK £000	USA £000	1995 Total £000	UK £000	USA £000	1994 Total £000
Turnover	49,300	2,844	52,144	49,106	2,858	51,964
Profit before financing charges	25,706	419	26,125	23,358	278	23,636
Financing charges	(2,188)	(20)	(2,208)	(4,109)	(70)	(4,179)
Profit on ordinary activities before taxation	23,518	399	23,917	19,249	208	19,457
Net assets	230,338	9,758	240,096	214,064	10,011	224,075

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

	1995 £000	1994 £000
Wages and salaries	1,098	1,056
Social security costs	92	95
	1,190	1,151

These figures relate only to portage staff of whom an average number of 129 (1994 – 128) were employed during the year.

CONTINUED

	1995 £000	1994 £000
3 OTHER INCOME		
Share of USA partnerships' results	(42)	20
Sundry income	64	70
	<u>22</u>	<u>90</u>
	1995 £000	1994 £000
4 NET INTEREST PAYABLE		
Interest payable on bank loans and overdrafts:		
Repayable within 5 years	2,523	3,170
Repayable in more than 5 years	3,084	2,997
	<u>5,607</u>	<u>6,167</u>
Less: Interest receivable	(2,265)	(1,988)
Release of interest provision no longer required	(1,134)	—
	<u>2,208</u>	<u>4,179</u>
	1995 £000	1994 £000
5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors' remuneration: Audit services	288	254
Non-audit services	—	4
Pension paid to widow of former managing director	62	60
Directors' emoluments:		
Fees	11	11
Salary	490	449
Pension contributions	60	144
	<u>561</u>	<u>604</u>
Chairman and highest paid Director – remuneration	239	239
– pension contributions	60	144
	<u>299</u>	<u>383</u>
Directors' remuneration (excluding pension contributions)		
	Number	Number
£5,001 to £10,000	1	1
£230,001 to £235,000	1	—
£235,001 to £240,000	1	2
	1995 £000	1994 £000
Staff costs:		
Salaries	2,197	2,156
Pension contributions	195	105
Social Security costs	102	200
	<u>2,494</u>	<u>2,461</u>

These figures are the Group's proportion of Administrative Staff costs and are equivalent to an average of 142 employees (1994 – 146 employees).

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1995 £000	1994 £000
(a) Taxation based on the profit for the year of the Company and its subsidiaries:		
UK corporation tax at 33% (1994 – 33%)	6,998	5,712
Overseas taxation	9	10
Deferred taxation	(65)	296
	6,942	6,018
Prior years provisions	(1,100)	(551)
	5,842	5,467

(b) Deferred Taxation Asset

	<i>The Group</i> 1995 £000	1994 £000	<i>The Company</i> 1995 £000	1994 £000
Advance corporation tax recoverable	815	1,260	815	1,260
Short term timing differences	109	44	21	21
	924	1,304	836	1,281

Apart from the above items there was at 31 March 1995 a potential liability for deferred taxation in respect of Industrial Building Allowances of £1,161,500 (1994 – £1,182,000). 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 and of the Company's investment in subsidiaries 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 £9.9m and £14.2m respectively (1994 – £10.6m and £13.6m) and for which no provision has been made in these Financial Statements.

The movement on the Deferred Taxation Asset is as follows:

	<i>The Group</i> £000	<i>The Company</i> £000
At 1 April 1994	1,304	1,281
Set up in the year	65	—
Released in the year	(1,260)	(1,260)
Advance corporation tax recoverable	815	815
At 31 March 1995	924	836

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

7 PROFIT FOR THE YEAR

Of the Group profit for the year after taxation a surplus of £13,012,000 (1994 – £13,158,000) 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 £18,057,000 (1994 – £13,973,000) and the average number of shares in issue during the year of 16,295,357 shares (1994 – 16,295,357).

CONTINUED

9 TANGIBLE ASSETS – INVESTMENT PROPERTIES	<i>Freehold</i> £000	<i>Long Leasehold</i> £000	<i>Short Leasehold</i> £000	<i>Total 1995</i> £000	<i>Total 1994</i> £000
At Valuation 1 April 1994	197,774	23,422	12,954	234,150	215,128
Reclassification	—	80	(80)	—	—
Additions	110	70	—	180	182
Disposals	(1,961)	(98)	(24)	(2,083)	(2,166)
Revaluation	3,660	(232)	334	3,762	21,006
At Valuation 31 March 1995	199,583	23,242	13,184	236,009	234,150

The historical cost of investment properties is £114,118,000 (1994 – £113,979,000).

A professional revaluation of all the Group's United Kingdom investment properties was carried out at 31 March 1995 by Keith Cardale Groves (Commercial) Limited, Chartered Surveyors. The revalued figures are based on open market values in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes. (See report on page 24.)

10 INVESTMENTS HELD AS FIXED ASSETS	<i>1995</i> £000	<i>1994</i> £000
Interest in syndicates holding industrial buildings	617	617
Collateral endowment policies at cost (see note below)	44	41
	661	658

Note:

Surrender values – £53,000 (1994 – £48,000).

11 PROPERTIES HELD FOR TRADING	<i>UK</i> £000	<i>USA</i> £000	<i>1995 Total</i> £000	<i>UK</i> £000	<i>USA</i> £000	<i>1994 Total</i> £000
At the lower of cost and net realisable value	23,936	16,854	40,790	25,235	19,365	44,600

£5,800,000 (1994 – £6,406,000) of the properties held for trading in the USA are held through shares in Co-operative Corporations.

12 DEBTORS	<i>The Group 1995</i> £000	<i>1994</i> £000	<i>The Company 1995</i> £000	<i>1994</i> £000
Rents and service charges	9,343	11,184	—	—
Other debtors and prepayments	5,952	4,692	—	—
Short term timing differences (note 6(b))	109	44	21	21
Mortgages granted repayable after one year	4,446	4,897	3,193	3,516
ACT recoverable after one year (note 6(b))	815	1,260	815	1,260
	20,665	22,077	4,029	4,797

13 INVESTMENTS HELD AS CURRENT ASSETS	1995 £000	1994 £000
Investments in USA partnerships (see note below)	1,255	1,268
Mortgages granted	—	12
Listed securities at the lower of cost and net realisable value (Market value £149,000 (1994 – £143,000))	121	123
	1,376	1,403
	1995 £000	1994 £000
Note: Net Assets of USA partnerships comprise:		
Shares in Co-operative Corporations	1,573	1,296
Mortgages granted	472	682
Cash and other assets	207	174
	2,252	2,152
Less: Creditors repayable within one year	(205)	(260)
	2,047	1,892
Group share of net assets including premium on acquisition	1,255	1,268

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	The Group 1995 £000	1994 £000	The Company 1995 £000	1994 £000
Debenture stock 1990 – 95 (6½ – 6¼%)	1,650	—	—	—
Mortgage advances (7½ – 11%)	427	1,307	216	216
Bank loans and overdrafts (see note below)	7,967	30,448	7,277	29,402
Rents and service charges charged in advance	7,638	7,648	—	—
Other creditors and accruals	5,162	7,688	758	1,289
Taxation	7,906	9,622	1,637	2,046
Proposed dividend	3,259	2,771	3,259	2,771
	34,009	59,484	13,147	35,724

Note: Bank loans and overdrafts of the Group of £7,967,000 (1994 – £30,448,000) and of the Company of £7,277,000 (1994 – £29,402,000) are secured on certain of the Group's properties.

CONTINUED

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<i>The Group</i> 1995 £000	1994 £000	<i>The Company</i> 1995 £000	1994 £000
Debentures	550	2,200	—	—
Unsecured Loan Stocks	2,995	3,008	—	—
Mortgage advances	51,682	54,644	604	1,944
Amounts due to subsidiary undertakings	—	—	2,194	2,021
	55,227	59,852	2,798	3,965

Analysis of creditors falling due after more than one year

	<i>Interest Rate</i>	<i>The Group</i> 1995 £000	1994 £000	<i>The Company</i> 1995 £000	1994 £000
Amounts repayable after 1 April 2000					
Unsecured Loan Stock 2002-07	8¼%	1,876	1,889	—	—
Mortgages 1995-2001	7½%-10½%	39,017	42,787	—	—
Amounts due to subsidiary undertakings		—	—	2,194	2,021
		40,893	44,676	2,194	2,021

Amounts repayable between 1st April 1997 and 31 March 2000

Unsecured Loan Stock 1991-96	7¼%	—	1,119	—	—
Mortgages	7½%-11%	9,980	9,913	604	1,944
Debenture Stock 1992-97	7¼%	550	550	—	—
		10,530	11,582	604	1,944

Amounts repayable between 1 April 1996 and 31 March 1997

Unsecured loan stock 1991-1996	7¼%	1,119	—	—	—
Mortgages	7½%-11%	2,685	1,944	—	—
Debenture Stock 1990-95	6¼%-6¼%	—	1,650	—	—
		3,804	3,594	—	—

Total amount of Long Term Loans

	55,227	59,852	2,798	3,965
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Amount of Long Term Loans secured on certain of the Group's properties

	52,232	56,771	604	1,944
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16 PROVISION FOR LIABILITIES AND CHARGES

	<i>The Group</i> £000
Deferred taxation:	
Balance at 1 April 1994	1,150
Foreign exchange movement	(60)
Balance at 31 March 1995	1,090

17 SHARE CAPITAL

	<i>Number</i>	1995 £000	1994 £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	<i>The Group</i> £000	£000	<i>The Company</i> £000	£000
Share Premium Account:				
At 1 April 1994 and 31 March 1995		555		555
Revaluation Reserve:				
At 1 April 1994	114,955		195,436	
Transfer to profit and loss account of revaluation surplus on investment properties now realised	(2,092)		—	
Fixed asset revaluation	3,788		8,231	
		116,651		203,667
Other Non-Distributable Reserves:				
At 1 April 1994	4,528			
Translation differences on foreign currency net investments	(163)			
		4,365		nil
Profit and Loss Account:				
At 1 April 1994	99,346		23,393	
Revaluation reserve realised on disposal	2,092		—	
Tax on revaluation reserve realised	(439)		—	
Retained for the year	12,843		7,798	
		113,842		31,191

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

19 INVESTMENT IN SUBSIDIARY UNDERTAKINGS	<i>Shares at valuation</i> £000	<i>Loans</i> £000	<i>Total</i> £000
At 1 April 1994	205,154	53,196	258,350
Effect of foreign exchange differences	(784)	—	(784)
Additions	316	—	316
Repayments	—	(14,710)	(14,710)
Revaluation	8,231	—	8,231
At 31 March 1995	212,917	38,486	251,403

The historical cost of shares in subsidiary undertakings is £9,883,000 (1994 – £9,567,000).

Shares in subsidiary undertakings have been valued by the Directors at 31 March 1995 based on the underlying net asset values of the subsidiary undertakings.

There have been excluded from the Consolidated Financial Statements the results of certain subsidiary undertakings acquired at a cost of £146,000 and valued by the Directors at £nil (1994 – £nil). The combined profits since acquisition attributable to the Company as indicated by their financial statements amounted to £40,000 (1994 – £40,000) and their aggregate liabilities at 31 March 1995 were £54,000 (1994 – £54,000). The inclusion of these undertakings would not materially affect the consolidated financial statements.

CONTINUED

20 CASH FLOW STATEMENT

	1995 £000	1994 £000
(i) Reconciliation of operating profit to net cash inflow from operating activities.		
Operating profit	24,585	22,356
Share of US partnership profit	(42)	(20)
Decrease in properties held for trading	2,149	1,488
Decrease/(increase) in debtors	510	(1,010)
(Decrease)/increase in creditors	(2,575)	1,191
Increase in investments held as current assets	(55)	(46)
Effect of other deferrals and accruals of operating activity cash flow	211	96
Net cash inflow from operating activities	<u>24,783</u>	<u>24,055</u>

(ii) Analysis of changes in cash and cash equivalents during the year.

	£000
Balance at 1 April 1994	11,225
Net cash inflow before adjustment for foreign exchange rate changes	10,811
Effect of foreign exchange differences	918
Balance at 31 March 1995	<u>22,954</u>

(iii) Analysis of the balances of cash and cash equivalents as shown on the balance sheet.

	1995 £000	1994 £000	Change in year £000
Cash at bank and in hand	30,921	41,673	(10,752)
Bank loans and overdrafts	(7,967)	(30,448)	22,481
	<u>22,954</u>	<u>11,225</u>	<u>11,729</u>

(iv) Analysis of changes in financing during the year.

	Share capital (including premium) £000	Loans and mortgages £000
Balance at 1 April 1994	4,629	61,159
Effect of foreign exchange differences	—	(939)
Cash inflows from financing (net)	—	(2,916)
Balance at 31 March 1995	<u>4,629</u>	<u>57,304</u>

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.

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

Highdorn Co. Ltd		Freshwater Property Management Ltd	
1995 £000	1994 £000	1995 £000	1994 £000
<u>£1,606</u>	<u>£1,600</u>	<u>£964</u>	<u>£983</u>

22 CONTINGENT LIABILITIES

The Company has guaranteed bank and mortgage indebtedness and unsecured loan stock of certain subsidiaries which at 31 March 1995 amounted to £41.2m (1994 – £41.1m).

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 actions current 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 subsidiaries 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 Securities Limited – <i>Share Dealer</i>
City and Country Properties Limited	Daejan (Taunton) Limited
City & Country Properties (Birmingham) Limited	Daejan (Warwick) Limited
City and Country Properties (Camberley) Limited	Daejan (Worcester) Limited
City and Country Properties (Midlands) Limited	Hampstead Way Investments Limited
Chilon Investments Co. Limited	Limebridge Co. Limited
Daejan (Brighton) Limited	Pegasus Investment Company Limited
Daejan (Cardiff) Limited	Rosebel Holdings Limited
Daejan Developments Limited	Seaglen Investments Limited
Daejan (Dartford) 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	
Daejan Investments (Harrow) Limited	
Daejan Investments (Park) Limited	

Incorporated in the USA

Daejan Holdings (US) Inc.
Daejan (NY) Limited
Daejan Enterprises Inc.

As instructed we have valued for the purpose of your Company's balance sheet the investment properties owned by your Company and its subsidiaries in the United Kingdom. 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 as to tenure and occupancy and other relevant information.

The properties have been valued individually on the basis of open market value in accordance with the Statements of Asset Valuation Practice and Guidance Notes prepared by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors.

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 1995 is £236,009,000 (Two Hundred and Thirty Six Million, and Nine 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.

Keith Cardale Groves (Commercial) Limited

Chartered Surveyors

1 Lumley Street,
London W1Y 2ND

1st June 1995

	1991 £000	1992 £000	1993 £000	1994 £000	1995 £000
Net Rental Income	14,158	15,276	16,392	19,095	21,548
Surplus on Sale of Trading Properties	7,137	6,444	6,422	7,890	7,335
Other Income	68	326	169	90	22
	21,363	22,046	22,983	27,075	28,905
Group Profit before Taxation	15,000	13,940	16,719	19,457	23,917
Taxation	5,843	5,317	3,498	5,467	5,842
Minority Interests	35	12	23	17	18
Available Surplus	9,122	8,611	13,198	13,973	18,057
Earnings: p. per share	56.0	52.8	81.0	85.7	110.8
Dividends: p. per share	24.0	25.0	27.0	29.0	32.0
Gross Assets	281,495	289,908	306,274	344,561	330,422
Net Assets	206,818	186,000	193,730	223,458	239,487
Net Asset: £ per share	12.69	11.41	11.89	13.71	14.70
Represented by:					
Share Capital	4,074	4,074	4,074	4,074	4,074
Reserves and Retained Profit	202,744	181,926	189,656	219,384	235,413
Shareholders' Funds	206,818	186,000	193,730	223,458	239,487

The results for the years 1993 to 1995 have been prepared under FRS3 and the corresponding amounts for the years 1991 and 1992 have been restated on this basis.

DAEJAN HOLDINGS PLC
FORM OF PROXY
FOR ANNUAL GENERAL MEETING OF THE COMPANY

I/We
(BLOCK LETTERS PLEASE)

of

being a Member(s) of DAEJAN HOLDINGS PLC HEREBY APPOINT THE CHAIRMAN OF THE MEETING as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 12.30 pm on Friday, 8 September 1995 and at any adjournment thereof.

*My/Our proxy is to vote as follows:—

RESOLUTION	No. 1	No. 2	No. 3	No. 4	No. 5
FOR					
AGAINST					

Dated this day of 1995.

Signed

*If you do not indicate how you wish your proxy to vote, the proxy will vote, or abstain from voting, as he thinks fit.

NOTES:

1. This proxy to be valid must be lodged at the Company's Registrars at least 48 hours prior to the Meeting.
2. In the case of a Corporation this proxy should be under seal or under the hand of a duly authorised officer.
3. In the case of joint holdings only one holder need sign.

Third fold

BUSINESS REPLY SERVICE
Licence No. BR3006

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DAEJAN HOLDINGS PLC
c/o Lloyds Bank Registrars
The Causeway
Worthing
West Sussex
BN99 6DB

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