

305105

**DAEJAN HOLDINGS PLC**

**REPORT AND FINANCIAL STATEMENTS**

**2000**



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## directors and advisers

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### 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 TSB 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 TSB 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**

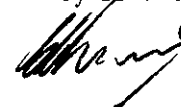
## notice of meeting

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Notice is hereby given that the Sixty-fifth Annual General Meeting of Daejan Holdings PLC will be held at The Methven Room, CBI, 1st Floor, Centre Point, New Oxford Street, London WC1, on 22 September 2000 at 12 noon, for the following purposes:-

1. To receive the Financial Statements for the year ended 31 March 2000 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. (Resolution 4.)
5. To authorise the Directors to determine the Auditors' remuneration. (Resolution 5.)

By Order of the Board,



C C MORSE  
Secretary

24 July 2000

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 6.00 pm on 20 September 2000 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.

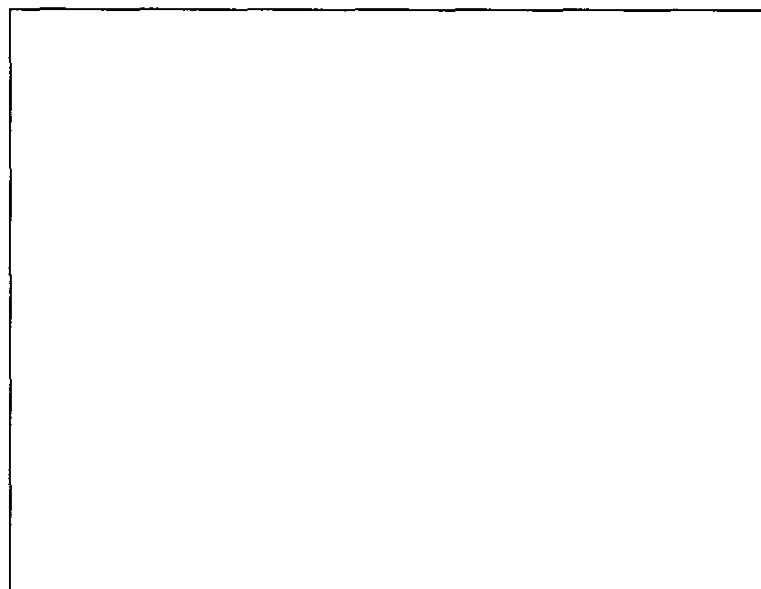
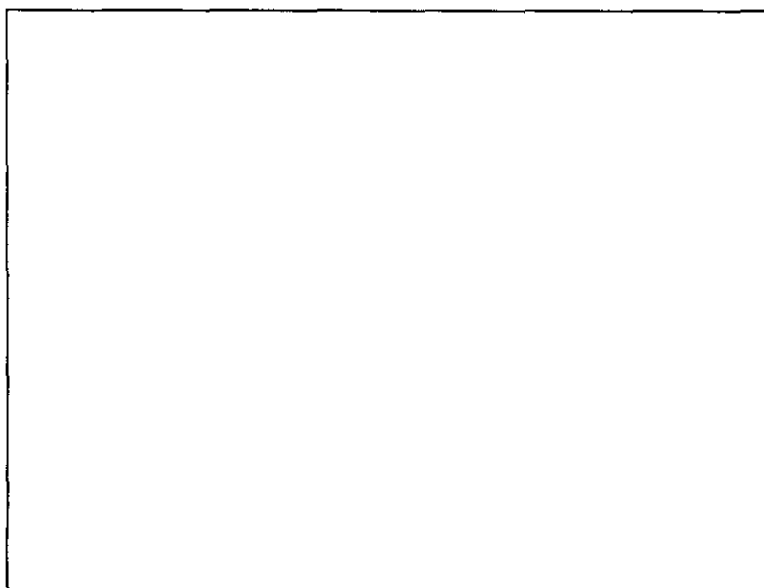
The recommended final dividend will, if approved, be paid on 2 October 2000 to Shareholders registered at the close of business on 4 August 2000.

No Director has a service contract.

## results at a glance

	<i>Year ended 31 March</i>		
	2000	1999	% increase
	£000	£000	
Profit before Taxation	31,189	28,554	9.2
Profit after Taxation	22,689	20,810	9.0
Earnings per Share	135.7p	125.8p	7.9
Dividends per Share	46.0p	44.0p	4.5
Equity Shareholders' Funds per Share (based on Balance Sheet values)	£21.80	£19.85	9.8

Final Dividend of 27p per share payable on 2 October 2000





## chairman's statement

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It is my pleasure to be able to report another successful year for our Group.

We have achieved profits before tax of £31.2 million, an increase of 9.2%. Increased contributions to Group profit have been achieved from each of the various categories of our portfolio. Notwithstanding an increase of £2.5 million in expenditure on property repairs and maintenance, to a total of £12.6 million, net investment income rose by £0.8 million; profits emanating from sales of property have improved to £10.2 million; and profits generated by our USA subsidiaries have advanced to £4.2 million.

This pleasing performance enables the Board to recommend an increased final dividend of 27p per share, which will bring the total distribution for the year to 46p per share.

Our Balance Sheet shows property assets totalling £495.3 million. Properties held for investment are professionally valued annually and stated at the valuation figure. Properties held for trading are, in accordance with applicable accounting standards, stated at original cost. The trading properties were last valued in 1997 and at that time produced a surplus over the figure at which they appeared in the Balance Sheet of £67.5 million. Net Asset Value per share based on that valuation and without any deduction for contingent tax arising on realisation is estimated at £25.50. We have continued to maintain our record of steady growth in both income and net worth. Over the past five years shareholders have benefited from dividend growth of 31.4%, in addition to estimated growth in net assets of 41.7%.

We have, during the year, augmented our property holdings both by way of entirely new purchases and also by the acquisition of further interests in, and adjoining, our existing properties. The total consideration for these acquisitions was £21.1 million.

The new purchases include reversionary retail warehousing at Fareham, Hampshire as well as offices at Hounslow, Middlesex and two industrial property investments along the M4 corridor. Purchases enhancing existing holdings include an extension to our shopping centre at Newton Aycliffe, County Durham and the acquisition of a new 150 year lease of the Strand Palace Hotel, London WC2.

In February we announced that the London Borough of Tower Hamlets had resolved to grant planning permission for a substantial hotel and office development on a freehold site owned by the Group on the eastern border of the City of London. Detailed negotiations for a pre-letting of the hotel to Hilton Group are under way as well as related negotiations with Tower Hamlets.

## chairman's statement *(continued)*


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The Group's satisfactory performance has continued in the current year to date. We have the financial strength to take rapid advantage of investment opportunities which meet our acquisitions criteria and we continue to maintain adequate liquidity for this purpose.

During the year quoted property shares, along with many others of the so called "old economy" sectors, suffered as investors switched their investments into the new technology stocks. Traditional share valuation methods appear to have been largely ignored in the rush to buy into the new technology sectors. In my view, the benefits of investment in companies with proven management skills, strong in cash flow, earnings and assets, will, as the "high tech" enthusiasm subsides, again become clearly apparent. Indeed, this change in market sentiment has already begun.

Major sectors of the business world enter the 21st Century with a degree of uncertainty as regards various economic and social issues. The question of the UK's entering into the Euro and crucially the rate at which conversion takes place is of vital importance to industry in general and to the property industry in particular. The rapid pace of technological change and the effect this has on individual lifestyles raise questions that are of particular relevance to the property industry. For example, to what degree will retail premises be affected by the inroads being made by Internet shopping into traditional retail patterns? To what degree will the increasing popularity of video conferencing and the ease with which many are now able to work from home or on the road affect demand for office accommodation? It will clearly be necessary to maintain constant vigilance in order to minimise the risks and maximise the opportunities generated by future trends. Our own investment and financing strategies will be kept under continuous review. Whilst remaining conservatively geared, we shall build for the future in measured steps that enable us to respond with flexibility to changing circumstances. It is my belief that this will ensure progress in the future that is as profitable and secure as in the past.

It gives me great pleasure to conclude this statement with a tribute to all my loyal and hard working colleagues for their energy and enthusiasm in helping to meet the challenges of the past year and maintain the continued success of the Group.

  
B S E FRESHWATER  
Chairman

## directors' report

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The Directors have pleasure in presenting their Report together with the Financial Statements for the year to 31 March 2000. ✓

### 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 2000 by the Group's external valuers, Cardales, Chartered Surveyors, and a copy of their report appears on page 38. The resultant figures have been included in the Financial Statements now presented and the increase of £16.7 million over previous book values has been transferred to Revaluation Reserve. The Group's trading portfolio in the UK was professionally valued at 31 March 1997 by the Group's external valuers and, at that time, showed a surplus over book value of £63.6 million which was not incorporated into the Financial Statements. The Group's United States trading portfolio was valued by the Directors at 31 March 1997 and, at that time, showed a surplus over book value of £3.9 million which was not incorporated into the Financial Statements.

### Results and Dividend

The profit for the financial year amounted to £22,108,000 (1999 – £20,506,000). An Interim Dividend of 19p per share was paid on 14 March 2000 and the Directors now recommend the payment of a Final Dividend of 27p per share, making a total for the year of 46p per share, an increase of 2p over the previous year. The dividends will absorb £7,496,000 (1999 – £7,170,000) and will leave £14,612,000 (1999 – £13,336,000) to be added to retained profits.

A review of the activities of the Group is contained in the Chairman's Statement on pages 5 and 6.



## directors' report *(continued)*

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

	Property Income		Profit	
	UK £000	USA £000	UK £000	USA £000
Rents and Charges	55,919	8,615	31,836	2,995
Sales of Trading and Investment Properties	13,143	1,866	8,338	1,866
Other Activities	—	—	112	65
	69,062	10,481	40,286	4,926
Financing Charges (net)			(7,998)	(512)
Administrative and Other Expenses			(5,332)	(181)
			26,956	4,233
			4,233	
Profit before Taxation			31,189	

### 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.

No Director has a service contract.

Brief biographies of the Directors are as follows:-

Mr B S E Freshwater. Aged 52 – 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. Aged 65 – 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. Aged 49 – 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' report *(continued)*

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## Directors' Remuneration

**Compliance**

The Board considers that the company has complied throughout the year with the requirements of the Combined Code in relation to Directors' remuneration with the exception of the provision relating to the formation and constitution of a remuneration committee (see page 13). In determining remuneration policy, the Board has given full consideration to the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority.

**Policy**

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 Directors' 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.

**Pensions**

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 and is in accordance with actuarial advice and within statutory limits.

directors' report *(continued)*

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

2000	Salary £	Fees £	Sub-total £	Pensions £	Total £
Mr B S E Freshwater	350,000	15,000	365,000	24,105	389,105
Mr D Davis	—	15,000	15,000	—	15,000
Mr S I Freshwater	347,000	15,000	362,000	—	362,000
	697,000	45,000	742,000	24,105	766,105

Pension to Widow of former  
managing director

£77,500

1999	Salary £	Fees £	Sub-total £	Pensions £	Total £
Mr B S E Freshwater	340,000	15,000	355,000	28,605	383,605
Mr D Davis	—	15,000	15,000	—	15,000
Mr S I Freshwater	322,954	15,000	337,954	—	337,954
	662,954	45,000	707,954	28,605	736,559

Pension to Widow of former  
managing director

£75,000

## 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 Group does not, however, follow any formal code or statement on payment practice. The Group does not have material trade creditor balances.

## Directors' Interests

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

directors' report *(continued)*

## Substantial Interests and Interests of Directors

Daejan Holdings PLC		31 March	31 March
Ordinary Shares		2000	1999
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 (1999 – 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 no 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 2000 a total of 7,876,431 shares (1999 – 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 2000.

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

	Shares	%
Henry Davies (Holborn) Limited	1,934,090	11.9
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.

## directors' report *(continued)*

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### 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 £120,000 (1999 – £120,000) net under Deed of Covenant.

### Millennium Issues

The Group successfully carried out the actions necessary to ensure Year 2000 compliance and no problems were encountered.

### Auditors

The Company's 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

24 July 2000



## corporate governance

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### General matters

The Board is required by the Financial Services Authority to report on the extent of its application of the principles and of its compliance with the provisions contained in the Combined Code – Principles of Good Governance and Code of Best Practice (derived from the Cadbury, Greenbury and Hampel Committee Reports).

Your Board supports fully the goal of better Corporate Governance and we comply with the majority of provisions of the Code.

We do not comply with the provisions of the Code 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.

### Directors

The Board meets regularly throughout the year on both a formal and an informal basis. Comprehensive management information covering all aspects of the Company's business is supplied to the Board in a timely manner and in a form and quality to enable it to discharge its duties. The Board's principal focus, in accordance with the formal schedule of matters referred to it for decision, is on the formulation of strategy and the monitoring and control of operations and financial performance. All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with. The Board has agreed a procedure for Directors in the furtherance of their duties to take independent professional advice if necessary, at the Company's expense.

## corporate governance *(continued)*

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The entire Board is responsible for the selection and approval of candidates for appointment to the Board. All Directors retire by rotation and submit themselves to shareholders for re-election at Annual General Meetings at regular intervals and at least every three years.

### Directors' Remuneration

Details of the Directors' remuneration are contained in the Directors' Report on page 10.

### Investor Relations

The Board values communication with private and institutional shareholders and with analysts. The Annual General Meeting is used as an opportunity to meet private shareholders. Other opportunities are taken during the year to discuss strategic and other issues with institutional shareholders and analysts.

The Board continues to support the concept of individual resolutions on separate issues at General Meetings. Details of proxy voting on each resolution are disclosed to the Meeting after it has been dealt with by a show of hands. In accordance with the provision of the Code notice of the Annual General Meeting and the Report and Financial Statement will be sent to shareholders at least twenty working days before the meeting.

### Financial Reporting

The Board are responsible for the preparation of the Report and Financial Statement within which they seek to present a balanced and understandable assessment of the Company's business.

### Internal Controls

The Board has established procedures necessary to implement the requirements of the Combined Code relating to internal control as reflected in "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance) published in September 1999. However, the Board has adopted the transitional approach set out in the September 1999 letter from the London Stock Exchange and is reporting on the Group's internal financial controls pursuant to the guidance for directors on internal controls and financial reporting issued in December 1994.

The Directors are responsible for and have reviewed 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.

corporate governance *(continued)*

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 and are monitored regularly.

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.

## Compliance Statement

The Board consider that the Company has complied throughout the year ended 31 March 2000 with the provisions of the Code with the exception of the following paragraphs:

paragraph	subject
A.2.1	division of responsibilities between chairman and chief executive
A.3.1-2	appointment of non-executive directors
B.1.1-3	appointment of remuneration committee and their proceedings
B.1.9	
B.2.1-3	
B.2.5	
C.2.3	
D.3.1-2	appointment of audit committee

## 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 financial statements.



## corporate governance *(continued)*

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### Financial Reporting Standard 13

The Group operates a cautious financial policy within clear authorities on a non-speculative and long term basis in order to enable the Group to carry on its business in confidence and with strength. We aim to insure that the Group's cost of capital is kept to a minimum through the maintenance of our many long standing relationships with leading banks and other financial institutions. The Group seeks to minimise the risk of sudden and unexpected rises in finance costs by way of financial derivative instruments whilst retaining some ability to take advantage of falling interest rates.

The fair values as at 31 March 2000 as set out in note 15 on page 32 exceeded the book values of the Group's borrowings and receivables by £2.8 million reflecting a reduction in long term interest rates since the rates were originally fixed. The adjustment to fair value would reduce reported net assets per share by 17p and would increase balance sheet gearing. After taking account of tax relief, the adjustment to net assets would be 12p per share.

There is no obligation or present intention to repay the borrowings other than at maturity.

Market values are affected by many external factors and ironically the stronger the company the higher the market value of its debt. The strength of the Group's balance sheet facilitates the raising of any finance that may be necessary for new acquisitions and further developments on competitive terms.

## directors' responsibilities

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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:-

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

## auditors' report

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Report of the Auditors to the Members of Daejan Holdings PLC

We have audited the financial statements on pages 19 to 37.

### Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 16 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 15 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's Statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of audit 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

## auditors' report *(continued)*

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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 2000 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

24 July 2000

consolidated profit and loss account *for the year ended 31 March 2000*

	<i>Notes</i>	<b>2000</b> <b>£000</b>	<b>1999</b> <b>£000</b>
Net Rental Income	2	<b>34,831</b>	33,229
Surplus on Sale of Trading Properties	2	<b>9,086</b>	6,099
Other Income		<b>177</b>	256
Gross Profit		<b>44,094</b>	39,584
Administrative and Other Expenses		<b>(5,513)</b>	(5,332)
Operating Profit		<b>38,581</b>	34,252
Surplus on Sale of Investment Properties	2	<b>1,118</b>	2,302
Profit on Ordinary Activities before Interest		<b>39,699</b>	36,554
Net Interest Payable and Other Similar Items	3	<b>(8,510)</b>	(8,000)
Profit on Ordinary Activities before Taxation	4	<b>31,189</b>	28,554
Tax on Profit on Ordinary Activities	5	<b>(8,500)</b>	(7,744)
Profit on Ordinary Activities after Taxation	6	<b>22,689</b>	20,810
Minority Interests – Equity		<b>(581)</b>	(304)
Profit for the Financial Year		<b>22,108</b>	20,506
Dividends: Interim		<b>(3,096)</b>	(3,096)
Final (proposed)		<b>(4,400)</b>	(4,074)
		<b>(7,496)</b>	(7,170)
Retained Profit for the Year	18	<b>14,612</b>	13,336
Earnings per Share	7	<b>135.7p</b>	125.8p

All activities are continuing.

The notes on pages 24 to 37 form part of these Financial Statements.

## consolidated balance sheet as at 31 March 2000

	Notes	2000 £000	1999 £000
Fixed Assets			
Tangible Assets	8	438,856	404,771
Investments	9	617	617
		<b>439,473</b>	<b>405,388</b>
Current Assets			
Properties held for Trading	10	55,854	57,434
Debtors: Due within one year	11	17,186	16,533
Due after one year	11	2,427	2,481
		<b>19,613</b>	<b>19,014</b>
Investments	12	129	130
Cash at Bank		50,600	53,359
		<b>126,196</b>	<b>129,937</b>
Creditors: Amounts falling due within one year	13	(91,439)	(87,491)
Net Current Assets		<b>34,757</b>	<b>42,446</b>
Total Assets Less Current Liabilities		<b>474,230</b>	<b>447,834</b>
Creditors: Amounts falling due after more than one year	14	(117,734)	(122,437)
Provisions for liabilities and charges	16	(1,102)	(1,095)
Net Assets		<b>355,394</b>	<b>324,302</b>
Capital and Reserves			
Called up Share Capital	17	4,074	4,074
Share Premium Account	18	555	555
Revaluation Reserve	18	166,000	149,276
Other Reserves	18	4,683	4,590
Profit and Loss Account	18	179,982	165,011
Equity Shareholders' Funds		<b>355,294</b>	<b>323,506</b>
Minority Interests – Equity		<b>100</b>	<b>796</b>
		<b>355,394</b>	<b>324,302</b>
Equity Shareholders' Funds per Share	7	<b>£21.80</b>	<b>£19.85</b>

The Financial Statements on pages 19 to 37 were approved by the Board of Directors on 24 July 2000 and were signed on its behalf by:

B S E Freshwater Director

D Davis Director

The notes on pages 24 to 37 form part of these Financial Statements.

## balance sheet as at 31 March 2000

	Notes	2000 £000	1999 £000
Fixed Assets			
Investment in subsidiary undertakings	19	451,583	422,602
Current Assets			
Debtors: Due within one year	11	4	937
Cash at bank		3,165	1,844
		3,169	2,781
Creditors: Amounts falling due within one year	13	(56,472)	(57,899)
Net Current Liabilities		(53,303)	(55,118)
Total Assets Less Current Liabilities		398,280	367,484
Creditors: Amounts falling due after more than one year	14	(42,986)	(43,978)
Net Assets		355,294	323,506
Capital and Reserves			
Called up Share Capital	17	4,074	4,074
Share Premium Account	18	555	555
Revaluation Reserve	18	181,700	169,168
Profit and Loss Account	18	168,965	149,709
		355,294	323,506

The Financial Statements on pages 19 to 37 were approved by the Board of Directors on 24 July 2000 and were signed on its behalf by:

B S E Freshwater    Director  
D Davis                Director

The notes on pages 24 to 37 form part of these Financial Statements.

## consolidated cash flow statement for the year ended 31 March 2000

	£000	2000 £000	£000	1999 £000
Operating activities				
Net cash inflow from operating activities (note 20(i))		40,742		34,262
Returns on investments and servicing of finance				
Interest received	3,040		2,763	
Interest paid	(11,799)		(11,221)	
Distribution to minority	(571)		(266)	
Net cash outflow from returns on investments and servicing of finance		(9,330)		(8,724)
Taxation				
UK Corporation tax paid	(9,072)		(7,799)	
Overseas tax paid	(58)		(50)	
		(9,130)		(7,849)
Capital expenditure				
Purchase of investment properties	(21,081)		(43,078)	
Sale of investment properties	4,853		10,957	
Net cash outflow for capital expenditure		(16,228)		(32,121)
Acquisition				
Purchase of Minority Interest		(250)		—
Equity dividends paid		(10,266)		(3,748)
Cash outflow before financing		(4,462)		(18,180)
Financing				
Repayment of secured loans	(4,208)		(2,530)	
Revolving loan facilities	—		19,000	
Secured loans	3,000		45,000	
Repayment of mortgage advances	(850)		(26,537)	
New mortgage advances	—		5,320	
Repayment of Unsecured loan stock	(16)		(15)	
Net cash (outflow)/inflow from financing (note 20(iii))		(2,074)		40,238
(Decrease)/Increase in cash in the year (note 20(iii))		(6,536)		22,058

The notes on pages 24 to 37 form part of these Financial Statements.

## consolidated statement of total recognised gains and losses

*for the year ended 31 March 2000*

	2000 £000	1999 £000
Profit for the financial year	22,108	20,506
Unrealised surplus on revaluation of investment properties	16,722	18,945
Revaluation of property on acquisition of minority interest	456	—
Tax on realisation of revalued properties	(95)	(232)
Translation differences on foreign currency net investments	93	212
Total net recognised gains relating to the year	39,284	39,431

## note of consolidated historical cost profits and losses

*for the year ended 31 March 2000*

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	31,189	28,554
Realisation of investment property revaluation gains of previous years	454	1,124
Historical cost profit on ordinary activities before taxation	31,643	29,678
Historical cost profit for the year retained in the profit and loss account after tax, minority interests and dividends	14,971	14,228

## reconciliation of movements in consolidated shareholders' funds

*for the year ended 31 March 2000*

	2000 £000	1999 £000
Profit for the financial year	22,108	20,506
Dividends: Interim	(3,096)	(3,096)
Final (proposed)	(4,400)	(4,074)
Retained profit for the year	14,612	13,336
Other net recognised gains and losses relating to the year	17,176	18,925
Net increase in shareholders' funds	31,788	32,261
Equity Shareholders' Funds brought forward	323,506	291,245
Equity Shareholders' Funds carried forward	355,294	323,506

The notes on pages 24 to 37 form part of these Financial Statements.



## notes to the financial statements

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### 1. Principal Accounting Policies

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**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.

#### (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. 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.

notes to the financial statements *(continued)*

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## (g) Properties

*(i) Investment Properties*

Investment properties are included in the Balance Sheet at professional valuation. 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 as a reserve movement. 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.

## notes to the financial statements (continued)

## 2. Property Income

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:

	<i>Property Income</i> £000	<i>Costs</i> £000	<i>2000 Gross Profit</i> £000	<i>Property Income</i> £000	<i>Costs</i> £000	<i>1999 Gross profit</i> £000
Rents and service charges receivable (see (i) below)	64,534	(29,703)	34,831	59,640	(26,411)	33,229
Trading property sales	10,115	(1,029)	9,086	6,697	(598)	6,099
Investment property sales	4,894	(3,776)	1,118	11,048	(8,746)	2,302
	79,543	(34,508)	45,035	77,385	(35,755)	41,630

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

	<i>UK</i> £000	<i>USA</i> £000	<i>2000 Total</i> £000	<i>UK</i> £000	<i>USA</i> £000	<i>1999 Total</i> £000
Property income	69,062	10,481	79,543	68,681	8,704	77,385
Profit before financing charges	34,954	4,745	39,699	33,364	3,190	36,554
Financing charges	(7,998)	(512)	(8,510)	(7,289)	(711)	(8,000)
Profit on ordinary activities before taxation	26,956	4,233	31,189	26,075	2,479	28,554
Net assets	328,113	27,281	355,394	300,905	23,397	324,302

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

	<i>2000</i> £000	<i>1999</i> £000
Wages and salaries	952	975
Social security costs	74	82
	1,026	1,057

These figures relate only to portorage staff of whom an average number of 88 (1999 – 100) were employed during the year.

## 3. Net Interest Payable and Other Similar Items

	<i>2000</i> £000	<i>1999</i> £000
Interest payable and other similar charges	11,645	11,084
Interest receivable	(3,040)	(2,787)
Foreign exchange movements	(95)	(297)
Interest receivable and other similar items	(3,135)	(3,084)
Net interest payable and other similar items	8,510	8,000

notes to the financial statements *(continued)*

## 4. Profit on Ordinary Activities before Taxation

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before taxation is stated after charging the following:		
Auditors' remuneration – Audit services (including irrecoverable VAT)	<b>338</b>	<b>328</b>
	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Staff costs (including directors' remuneration):		
Salaries	<b>3,447</b>	<b>3,351</b>
Social Security costs	<b>286</b>	<b>276</b>
Pension contributions	<b>192</b>	<b>180</b>
	<b>3,925</b>	<b>3,807</b>

These figures include the Group's proportion of Administrative Staff costs which are equivalent to an average of 139 employees (1999 – 136 employees). Details of the Directors' remuneration are contained in the Directors' Report on page 10.

## 5. Tax on Profit on Ordinary Activities

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
(a) Taxation based on the profit for the year of the Company and its subsidiaries		
UK corporation tax at 30% (1999 – 31%)	<b>8,218</b>	<b>7,530</b>
Overseas taxation	<b>58</b>	<b>50</b>
Deferred taxation	<b>—</b>	<b>180</b>
	<b>8,276</b>	<b>7,760</b>
Prior years' charges	<b>224</b>	<b>(16)</b>
	<b>8,500</b>	<b>7,744</b>
	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
(b) Deferred Taxation Asset		
Short term timing differences		
At 1 April 1999	<b>—</b>	<b>180</b>
Charge for the year	<b>—</b>	<b>(180)</b>
At 31 March 2000	<b>—</b>	<b>—</b>

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

## 6. Profit on Ordinary Activities After Taxation

Profit after taxation of £26,752,000 arises in the holding company, £20,800,000 being dividends paid by subsidiary companies (1999 – £16,368,000; Dividends – £11,150,000).

notes to the financial statements *(continued)*

## 7. Earnings per Share/Equity Shareholders Funds per Share

Earnings per share is calculated on earnings, after taxation and minority interests, of £22,108,000 (1999 – £20,506,000) and the weighted average number of shares in issue during the year of 16,295,357 (1999 – 16,295,357).

Equity Shareholders' Funds per Share are calculated on Equity Shareholders' Funds of £355,294,000 (1999 – £323,506,000) and the number of shares in issue at the year end of 16,295,357 (1999 – 16,295,357).

## 8. Tangible Assets – Investment Properties

	<i>Freehold</i> £000	<i>Long Leasehold</i> £000	<i>Short Leasehold</i> £000	<i>Total 2000</i> £000
At Valuation 1 April 1999	320,466	70,946	13,359	404,771
Additions	19,706	1,375	—	21,081
Disposals	(3,667)	(51)	—	(3,718)
Transfer	(97)	(33)	130	—
Revaluation	12,324	4,048	350	16,722
At Valuation 31 March 2000	348,732	76,285	13,839	438,856

The historical cost of investment properties is £273,465,000.

A professional valuation of all the Group's United Kingdom investment properties was carried out at 31 March 2000 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 38.)

That report does not include a property which has been identified as being held for disposal. This property is included in Freehold Properties above at its valuation at 31 March 2000 by Cardales, Chartered Surveyors of £920,000 which the Directors believe to be not less than its net realisable value.

## 9. Investments held as Fixed Assets

Investments held as fixed assets in the Group Balance Sheet represent an interest in syndicates holding industrial buildings.

	<i>UK</i> £000	<i>USA</i> £000	<i>2000 Total</i> £000	<i>UK</i> £000	<i>USA</i> £000	<i>1999 Total</i> £000
10. Properties held for Trading						
At the lower of cost and net realisable value	22,192	33,662	55,854	23,087	34,347	57,434

£6,683,000 (1999 – £6,945,000) of the properties held for trading in the USA are held through shares in co-operative corporations.

notes to the financial statements *(continued)*

11. Debtors	<i>The Group</i>		<i>The Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	£000	£000	£000	£000
Rents and service charges	9,713	10,245	—	—
Other debtors and prepayments	7,473	5,347	4	—
ACT recoverable	—	941	—	937
Due within one year	17,186	16,533	4	937
Mortgages granted repayable after one year	2,427	2,481	—	—
Due after one year	2,427	2,481	—	—
	19,613	19,014	4	937

## 12. Investments held as current assets

Investments held as current assets include listed securities of £106,000 (1999 – £107,000) held at the lower of cost and net realisable value. The market value of these securities at 31 March 2000 was £253,000 (1999 – £205,000).

13. Creditors: amounts falling due within one year	<i>The Group</i>		<i>The Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	£000	£000	£000	£000
Bank loans and overdrafts (see note below)	57,888	51,226	51,009	47,914
Rents and service charges charged in advance	11,437	10,798	—	—
Other creditors and accruals	11,279	10,386	474	573
Taxation	6,435	7,911	589	2,242
Dividends payable	4,400	7,170	4,400	7,170
	91,439	87,491	56,472	57,899

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

notes to the financial statements *(continued)*

14. Creditors: amounts falling due after more than one year	<i>The Group</i>		<i>The Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	£000	£000	£000	£000
Unsecured loan stocks	1,792	1,808	—	—
Mortgage advances	21,127	21,718	—	—
Amounts due to subsidiary undertakings	—	—	236	228
Secured bank loans	94,815	98,911	42,750	43,750
	117,734	122,437	42,986	43,978

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

	<i>Interest rate</i>	<i>The Group</i>		<i>The Company</i>	
		<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
		£000	£000	£000	£000
Amounts repayable after 1 April 2005					
Unsecured loan stock 2007	8.25%	1,792	1,808	—	—
Mortgages	6.99%–8.62%	13,061	15,378	—	—
Amounts due to subsidiary undertakings		—	—	236	228
Secured bank loans	7.39%	79,084	81,440	38,750	39,750
		93,937	98,626	38,986	39,978
Amounts repayable between 1 April 2002 and 31 March 2005					
Mortgages	7.50%–8.98%	8,066	6,340	—	—
Secured bank loans	7.39%	10,937	13,376	3,000	3,000
		19,003	19,716	3,000	3,000
Amounts repayable between 1 April 2001 and 31 March 2002					
Secured bank loans	7.39%	4,794	4,095	1,000	1,000
		4,794	4,095	1,000	1,000
Total amount of Long Term Loans		117,734	122,437	42,986	43,978
Amount of Long Term Loans secured on certain of the Group's properties		115,942	120,629	42,750	43,750

## 15. Financial instruments

The Group has adopted the requirements of Financial Reporting Standard 13: Derivatives and Other Financial Instruments: Disclosures. The Group's strategy in respect of the use of financial instruments to manage risk is detailed on page 16.

The Group has taken advantage of the exemption under FRS 13, that short term debtors and creditors be excluded from the following disclosures.

notes to the financial statements *(continued)***Financial assets**

The Group's financial assets are long term debtors (note 11) and cash at bank and in hand.

The interest rate and liquidity risk profile of cash balances of the Group is set out below:

	2000 £000	1999 £000
Cash – Sterling denominated	38,478	44,552
Cash – US dollar denominated	12,122	8,807
Total	50,600	53,359

All cash balances receive interest at a variable rate with reference to LIBOR for sterling denominated balances and US Prime rate for US dollar denominated balances. All cash balances are repayable on demand.

The Group has mortgages receivable of £2,427,000 which are denominated in US dollars. £1,141,000 of these mortgages are at variable rates with £1,286,000 at fixed interest rates. For the variable rate mortgages interest is charged with reference to US Prime rates. The mortgages mature between November 2002 and December 2011.

The weighted average interest rate of the fixed rate receivables is 10.4% (1999 – 9.9%) and the weighted average period for which the receivable is fixed is 9.2 years (1999 – 9.8 years).

**Financial liabilities***Liquidity risk – profile*

The maturity profile of the Group's financial liabilities is set out below:

	2000 £000	1999 £000
Within one year or less or on demand	57,888	51,226
Between one and two years	4,794	4,095
Between two and five years	19,003	19,716
After five years	93,937	98,626
	175,622	173,663

The Group has undrawn borrowing facilities of £14,500,000 which expire within one year and £5,000,000 which expire after five years.

*Interest rate risk – profile*

The interest rate profile of the Group's financial liabilities 31 March, after taking account of interest rate instruments taken out by the Group was:

	2000 £000	1999 £000
Floating rate liabilities — Sterling denominated	87,284	82,156
Floating rate liabilities — US dollar denominated	9,008	8,799
Fixed rate liabilities — Sterling denominated	58,203	60,990
Fixed rate liabilities — US dollar denominated	21,127	21,718
	175,622	173,663



notes to the financial statements *(continued)*

The floating rate financial liabilities comprise:

- Sterling denominated bank borrowings bearing rates based on LIBOR.
- US dollar denominated bank borrowings bearing rates based on US Prime rate.

*Hedge profile – type and maturity of protection*

The weighted average interest rate on the fixed rate debt was 8.2% (1999 – 8.2%) and the weighted average period for which the borrowing is fixed at 31 March 2000 was 11 years (1999 – 11.7 years).

All of the £58,203,000 of fixed rate swaps and unsecured loan stocks mature after five years. In addition to the existing swaps there are contracted hedge positions of £18,750,000 which start in 2003.

*Fair value of financial assets and liabilities*

The table below sets out by category the book values and fair value of the Group's financial assets and liabilities:

	<i>Book value</i> £000	<i>Notional Principal</i> £000	<i>2000 Fair value adjustment</i> £000	<i>Fair value</i> £000	<i>1999 Fair value adjustment</i> £000
Financial instruments held or issued to finance the Group's operations					
<i>Assets:</i>					
Mortgages receivable	1,286	—	417	1,703	462
<i>Liabilities:</i>					
Fixed rate debt	(22,919)	—	252	(22,667)	(1,249)
Interest rate swaps	—	(75,161)	(3,471)	(3,471)	(8,669)
Fair value adjustment			(2,802)		(9,456)

The fair values were calculated as at 31 March 2000 and reflect the replacement values of the financial instruments used to manage the Group's exposure to adverse interest rate movements. All gains and losses arising from hedging instruments crystallised during the year have been recognised in the profit and loss account.

A recalculation of the fair value adjustment has been carried out at 20 July 2000 (the last practical date before the printing of these Financial Statements) which due to movements in interest rates since 31 March 2000 has resulted in a current fair value adjustment of £2,375,000 in place of the March figure of £2,802,000.

*Currency profile*

The Group had US dollar denominated bank loans and mortgages at 31 March 2000 of £30,028,000 (1999 – £30,517,000).

The Group has US dollar cash deposits at 31 March 2000 of £12,122,000 (1999 – £8,087,000).

notes to the financial statements *(continued)*


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16.	Provisions for liabilities and charges	<i>The Group</i> £000
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## Deferred taxation:

At 1 April 1999	1,095
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Foreign exchange movement	7
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At 31 March 2000	1,102
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Apart from the above items there was at 31 March 2000 a potential liability for deferred taxation in respect of Industrial Building Allowances of £1,188,000 (1999 – £1,188,000). 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 £18.9m (1999 – £16.3m) and for which no provision has been made in these Financial Statements, as the Directors are of the opinion that the likelihood of any material liability arising is remote.

17.	Share Capital	<i>Number</i>	<i>2000</i> £000	<i>1999</i> £000
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## Authorised:

Ordinary shares of 25 pence per share	18,722,596	4,681	4,681
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## Allotted, called up and fully paid:

Ordinary shares of 25 pence per share	16,295,357	4,074	4,074
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notes to the financial statements *(continued)*

18. Reserves	<i>The Group</i> £000	£000	<i>The Company</i> £000	£000
<b>Share Premium Account:</b>				
At 1 April 1999 and 31 March 2000		555		555
<b>Revaluation Reserve:</b>				
At 1 April 1999	149,276		169,168	
Transfer to profit and loss account of revaluation surplus on investment properties now realised	(454)		—	
Revaluation of property on acquisition of minority interest	456		—	
Fixed asset revaluation	16,722		12,532	
At 31 March 2000		166,000		181,700
<b>Other Non-Distributable Reserves:</b>				
At 1 April 1999	4,590		—	
Translation differences on foreign currency net investments	93		—	
At 31 March 2000		4,683		—
<b>Profit and Loss Account:</b>				
At 1 April 1999	165,011		149,709	
Revaluation reserve realised on disposal	454		—	
Tax on revaluation reserve realised	(95)		—	
Retained profit for the year	14,612		19,256	
At 31 March 2000		179,982		168,965

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	<i>Shares at</i> <i>valuation</i> £000	<i>Loans</i> £000	<i>Total</i> £000
<b>The Company</b>			
At 1 April 1999	186,615	235,987	422,602
Additions	—	20,800	20,800
Disposals	—	(4,536)	(4,536)
Revaluation	12,532	—	12,532
Effect of foreign exchange differences	185	—	185
At 31 March 2000	199,332	252,251	451,583

The historical cost of shares in subsidiary undertakings is £17,876,000 (1999 – £17,876,000).

Shares in subsidiary undertakings have been valued by the Directors at 31 March 2000 based on the net asset values of the subsidiary undertakings.

The results of certain subsidiary undertakings, acquired at a cost of £146,000 and valued by the Directors at Nil (1999 – 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 (1999 – £40,000) and their aggregate liabilities at 31 March 2000 were £54,000 (1999 – £54,000). The inclusion of these undertakings would not materially affect the Consolidated Financial Statements.

notes to the financial statements *(continued)*

20.	Cash Flow Statement	2000 £000	1999 £000	
(i) Reconciliation of operating profit to net cash inflow from operating activities.				
Operating profit		38,581	34,252	
Decrease/(Increase) in properties held for trading		1,819	(178)	
Increase in debtors		(1,476)	(508)	
Increase in creditors		1,664	676	
Decrease in investments held as current assets		1	20	
Amounts written off fixed assets		153	—	
Net cash inflow from operating activities		40,742	34,262	
(ii) Reconciliation of net cash flow to movement in net debt				
		2000 £000	1999 £000	
(Decrease)/Increase in cash		(6,536)	22,058	
Revolving loan facilities		(3,000)	(19,000)	
Secured loan repayable 2018		—	(45,000)	
New mortgage advances		—	(5,320)	
Repayment of financing		5,074	29,082	
Change in net debt resulting from cash flows		(4,462)	(18,180)	
Exchange movement		(256)	(803)	
Change in net debt		(4,718)	(18,983)	
Opening net debt		(120,304)	(101,321)	
Closing net debt		(125,022)	(120,304)	
(iii) Analysis of changes in net debt				
	1 April 1999 £000	Cash flow £000	Exchange movements £000	31 March 2000 £000
Cash at bank and in hand	53,359	(2,868)	109	50,600
Overdrafts	(115)	(3,668)	(1)	(3,784)
	53,244	(6,536)	108	46,816
Secured loans	(150,022)	1,208	(105)	(148,919)
Unsecured loan stock	(1,808)	16	—	(1,792)
Mortgage advances	(21,718)	850	(259)	(21,127)
	(120,304)	(4,462)	(256)	(125,022)

## notes to the financial statements *(continued)*

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### 21. Directors' interests

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Day-to-day management of the Group's properties in the United Kingdom is mainly 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 net amounts paid for the provision of various management services charged by the Group's managing agents Highdorn Co. Limited and Freshwater Property Management Limited were £3,124,000 (1999 – £2,203,000).

At 31 March 2000 £1,804,000 was due to Highdorn Co. Limited (1999 – £1,031,000) and £634,000 was due to Freshwater Property Management Limited (1999 – £675,000).

The Directors interests in the Company and the principal shareholders are described on pages 10 and 11.

### 22. Contingent liabilities

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The Company has guaranteed bank and mortgage indebtedness and unsecured loan stock of certain subsidiary undertakings which at 31 March 2000 amounted to £57.8m (1999 – £57.9m).

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.

## notes to the financial statements *(continued)*

### 23. Principal Subsidiary Undertakings

The following are wholly owned property companies included in the Consolidated Financial Statements.

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

Astral Estates (London) Limited	Daejan Investments (Park) Limited
Bampton Holdings Limited	Daejan (Kingston) Limited
Bampton (B&B) Limited	Daejan (Lauderdale) Limited
Bampton (Redbridge) Limited	Daejan (Norwich) Limited
Brickfield Properties Limited	Daejan (NUV) Limited
City and Country Properties Limited	Daejan Properties Limited
City and Country Properties (Birmingham) Limited	Daejan (Reading) Limited
City and Country Properties (Camberley) Limited	Daejan Retail Properties Limited
City and Country Properties (Midlands) Limited	Daejan Securities Limited – <i>Share Dealer</i>
Daejan (Brighton) Limited	Daejan (Taunton) Limited
Daejan (Cardiff) Limited	Daejan (Warwick) Limited
Daejan Commercial Properties Limited	Daejan (Worcester) Limited
Daejan (Dartford) Limited	Hampstead Way Investments Limited
Daejan Developments Limited	Limebridge Co. Limited
Daejan (Durham) Limited	Pegasus Investment Company Limited
Daejan Enterprises Limited	Rosebel Holdings Limited
Daejan Estates Limited	Seaglen Investments Limited
Daejan (FH 1998) Limited	St. Leonards Properties Limited
Daejan (FHNV 1998) Limited	The Bampton Property Group Limited
Daejan (High Wycombe) Limited	The Cromlech Property Co. Limited
Daejan Investments Limited	The Halliard Property Co. Limited
Daejan Investments (Grove Hall) Limited	
Daejan Investments (Harrow) Limited	

#### *Incorporated in the USA*

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

## report of the valuers

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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 investment properties owned by its subsidiaries in the United Kingdom as at 31 March 2000. 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, subject to our Standard Terms of Engagement and General Principles applied in the preparation of Valuations and Reports provided to you and in accordance with instructions, the properties are inspected on a three-yearly cycle.

report of the valuers *(continued)*

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Having regard to the foregoing we are of the opinion that the aggregate of the values of your Company's investment property interests as at 31 March 2000 is £437,936,000 (four hundred and thirty seven million, nine hundred and thirty six 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

31 March 2000



## five-year record

	1996 £000	1997 £000	1998 £000	1999 £000	2000 £000
Net Rental Income	22,829	28,061	30,121	33,229	34,831
Surplus on Sale of Trading Properties	3,733	7,637	6,636	6,099	9,086
Other Income	88	80	290	256	177
Gross profit	26,650	35,778	37,047	39,584	44,094
Group Profit before Taxation	20,582	24,492	27,101	28,554	31,189
Taxation	6,053	7,741	7,560	7,744	8,500
Minority Interests	26	25	131	304	581
Available Surplus	14,503	16,726	19,410	20,506	22,108
Earnings: p. per Share	89.0	102.6	119.1	125.8	135.7
Dividends: p. per Share	35.0	38.0	42.0	44.0	46.0
Gross Assets	395,565	411,906	457,836	535,325	565,669
Equity Shareholders' Funds	249,690	272,435	291,245	323,506	355,294
Equity Shareholders' Funds: £ per Share (based on balance sheet figures)	15.32	16.72	17.87	19.85	21.80
Represented by:					
Share Capital	4,074	4,074	4,074	4,074	4,074
Reserves and Retained Profit	245,616	268,361	287,171	319,432	351,220
Equity Shareholders' Funds	249,690	272,435	291,245	323,506	355,294