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Daejan
Holdings PLC

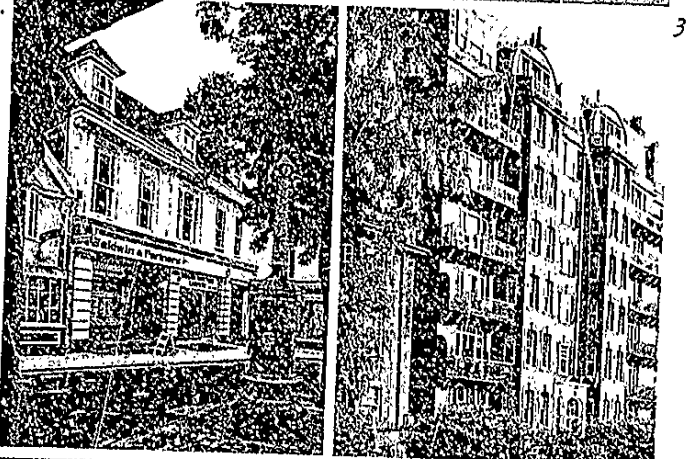
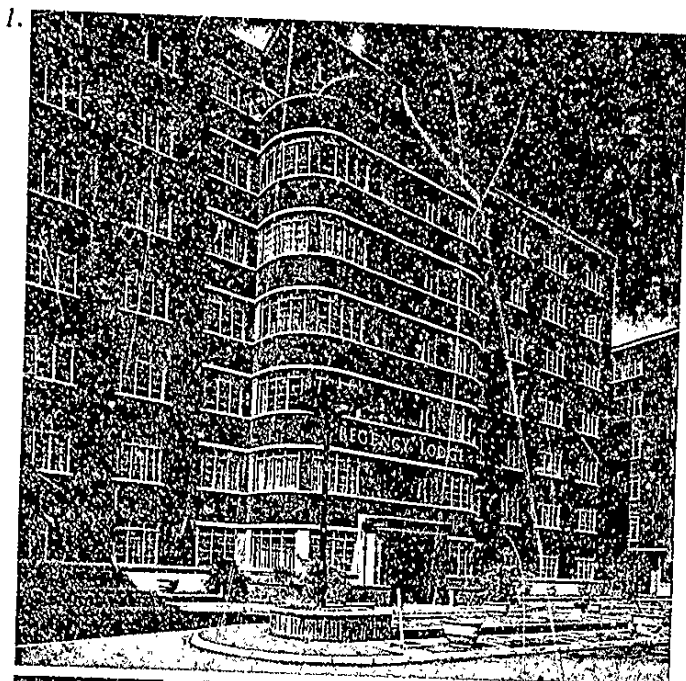
Annual Report 1986

Directors and Advisers

305105/187

10

1. *Regency Lodge and Parade, Swiss Cottage, London NW3.*
An imposing block of 109 flats and 11 shops.
2. *Market Place, Faversham, Kent.*
An attractive period building of shops, offices and flat.
3. *Oakwood Court, Kensington, London W14.*
An extensive eight-storey block of 229 flats.
4. *Kensington Hall Gardens, London W14.*
A block of mansion flats built around the turn of the Century. Pictured following recent extensive renovations.



Directors

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

Secretary

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

Registered and Head Office

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

Registrars

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

Auditors

Peat, Marwick, Mitchell & Co.,
1 Puddle Dock,
Blackfriars,
London EC4V 3PD

Consulting Accountants

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

Principal Bankers

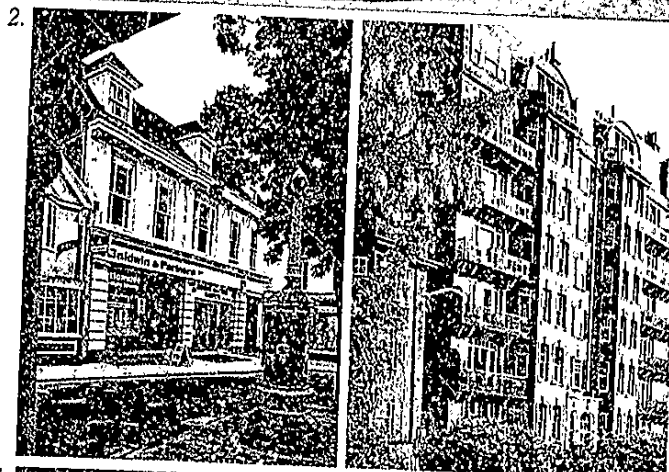
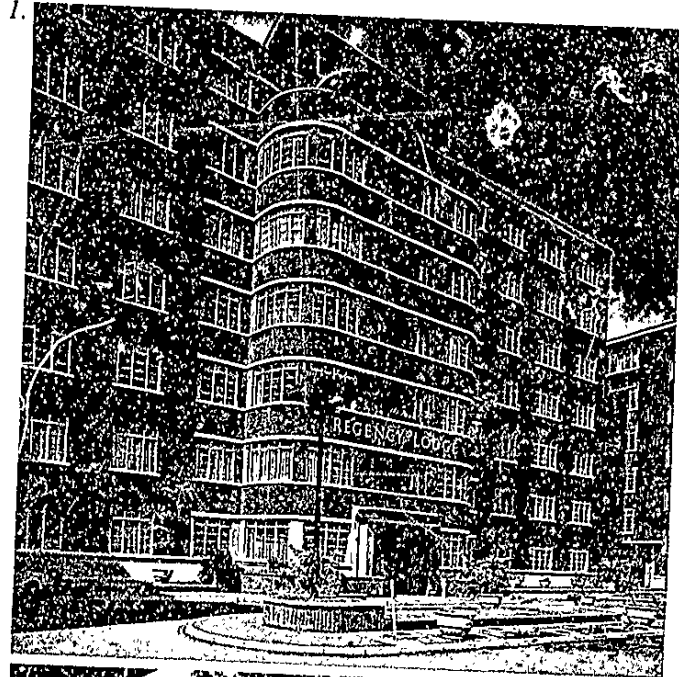
Barclays Bank PLC
Lloyds Bank Plc
National Westminster Bank PLC
International Westminster Bank PLC

Stockbrokers

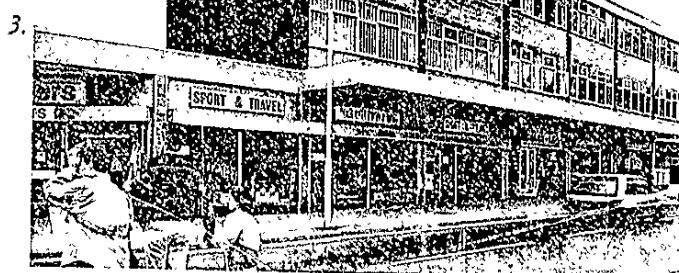
Kleinwort Grievson and Co.,
20 Fenchurch Street,
London EC3P 3DB



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An imposing block of 109 flats and 11 shops.
2. *Market Place, Faversham, Kent.*
An attractive period building of shops, offices and flat.
3. *Oakwood Court, Kensington, London W14.*
An extensive eight-storey block of 229 flats.
4. *Kensington Hall Gardens, London W14.*
A block of mansion flats built around the turn of the Century. Pictured following recent extensive renovations.



1. *Ashbourne Court, London N12.*
Part of this modern development of 81 flats.
2. *Jeffries Passage, North Street, Guildford, Surrey.*
An attractive, modern, pedestrianised parade of shops.
3. *High Street North, Queensway and Vernon Place,*
Dunstable, Bedford. Part of the complex of
supermarkets, shops and offices.



Directors and Advisers

305105/187

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S I Freshwater

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Notice of Meeting

Notice is hereby given that the **Fifty-first Annual General Meeting of Daejan Holdings PLC** will be held at The Presidents' Committee Room, CBI, 1st Floor, Centre Point, New Oxford Street, London WC1, on **Monday 8th September 1986 at 12 noon**, for the following purposes:-

- 1 To receive the Accounts for the year ended 31st March 1986 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 Solomon Freshwater as a Director. (Resolution 3)
- 4 To re-elect Mr David Davis as a Director. (Resolution 4)
- 5 To re-appoint Messrs Peat, Marwick, Mitchell & Co. as Auditors and to authorise the Directors to determine their remuneration. (Resolution 5)

By Order of the Board,
H E Severn, Secretary
11th August 1986

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 8th September 1986 to Shareholders registered at the close of business on 11th August 1986.

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

Results at a glance

| | Year ended 31st March | |
|--|-----------------------|-------------|
| | 1986 | 1985 |
| Pre-tax Profits | £14,961,000 | £13,255,000 |
| Net Profits | £7,987,000 | £7,813,000 |
| Earnings per Share | 49.08p | 48.03p |
| Dividends per Share, actual | 14.0p | 13.0p |
| Net Assets per Share | 558p | 509p |
| Final Dividend of 9.0p per share payable on 8th September 1986 | | |

Chairman's Statement

The accompanying Accounts reflect a record profit level and continued solid progress in the various spheres of our operations.

Commercial rent levels have continued to improve and our extensive shop portfolio has performed particularly well. However, as a matter of policy we have once again committed substantial resources to the renovation of our residential portfolio. Thus although gross rental income advanced by £1.9 million to £19.4 million the improvement net of outgoings was only £0.6 million providing net rental income of £8.5 million. Overall, net investment income remains on an upwards trajectory and this must bode well for future income and capital growth.

As mentioned in the Directors' Report we have carried out a review of the capital values of the portfolio in the light of current investment criteria. A write-down of £3 million on the valuation of a large office building was made to reflect the investment yield presently demanded for this size and type of holding. The balance of the portfolio, assessed on our usual conservative basis, yielded an increase in value of £6.9 million, as a result of advantageous rent reviews and the upward trend in residential property values.

We have commissioned a professional revaluation of the entire property portfolio, including the USA holdings and the results will, where appropriate, be incorporated into next year's Accounts.

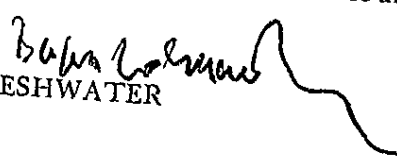
Purchases at a cost of £12.1 million were made during the year. These acquisitions were mainly properties which are regarded as trading stock and it is felt that these, together with others that are intended to follow, will prove useful sources of profit in the future. We are actively expanding our USA property holdings and hope to build a strong base there for future investment activity.

Whilst normally in this statement I try to steer clear of political comment, on this occasion I must draw attention to recent policy announcements as regards the future of private sector residential properties following the Nugee Report. Any proposals to restrict the freedom of landlords to manage and realise their residential investments can only be deleterious to the availability of residential accommodation for letting purposes. Past legislation has already resulted in supply being severely restricted and if the rules are made even more onerous than at present, less and less institutional and corporate funds will be attracted to this medium of investment to the detriment of the country as a whole. On the contrary, a cautious liberalisation of the present rent controls, at least for new tenants, together with a broad political resolve to attract private sector investment back into the market, is called for. The fruits of such a policy could be a material relaxation of current tensions in the housing market.

Since the year end trading has continued to be satisfactory with the steady progress of former years being sustained. I am reasonably confident that next year's results will not disappoint!

In January of this year my brother, Mr Solomon Freshwater, joined the Board. He brings with him a valuable combination of business skills, and it is a pleasure to extend to him a sincere welcome.

In a changing world it is a pleasure to report on something as stable as the support and loyalty of our executives and staff, without whom it would not be possible to produce the excellent results now presented. I am sure you would wish to join me in a sincere vote of thanks to all of them.


B S E FRESHWATER

Directors' Report

Directors' Report

The Directors have pleasure in presenting their Report together with Balance Sheets of the Company and of the Group as at 31st March 1986 and the Consolidated Profit and Loss Account of the Group for the year ended on that date.

Principal Activities of the Group

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

undertake property investment and trading in that country.

During the year, the Group's interest in a small textile merchandising business was sold. Details of the transaction are shown in Note 19.

Results and Dividend

The net earnings for the year, after all charges and appropriations, amounted to £7,985,000. An Interim Dividend of 5.0p per share was paid on 20th March 1986 and the Directors now recommend the payment of a Final Dividend of 9.0p per share, making a total for the year of 14.0p per share. The dividends will absorb £2,281,000 and will leave £5,704,000 to be added to retained profits.

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

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

| | Turnover | | Profit | |
|---|----------------|---------------|----------------|-------|
| | UK | USA | UK | USA |
| | £000 | £000 | £000 | £000 |
| Rents and Charges | 18,850 | 543 | 8,499 | 13 |
| Sales of Properties | 13,772 | 1,433 | 9,985 | 304 |
| Other Activities (including share of USA partnership profits) | | | 85 | 714 |
| | <u>£32,622</u> | <u>£1,976</u> | 18,569 | 1,031 |
| Financing Charges (net) | | | (2,836) | (100) |
| Administrative and Other Expenses | | | (1,319) | (384) |
| | | | 14,414 | 547 |
| Profit before taxation | | | <u>£14,961</u> | |

Properties

A professional revaluation of all the Group's properties in the United Kingdom was carried out at 31st January 1982 and the resultant figures relating to investment properties were incorporated into the March 1982 Accounts.

The nature of the Group's portfolio, which consists of a large number of properties spread throughout the United Kingdom, is such that a complete revaluation is both lengthy and costly, and

the Directors do not feel that to carry out this exercise annually would be justified.

As in previous years, the Directors, in consultation with Senior Executives of the Management Company and the Group's professional valuers, have reviewed the portfolio as a whole and a number of the larger properties in detail.

Their valuations have produced a net surplus of £3,962,000 which has been transferred to Revaluation Reserve.

In the case of trading properties the 1982 valuation revealed a substantial surplus of £27 million over book value, which was not incorporated into the Accounts. The Board are satisfied that at 31st March 1986 properties held for trading and development still had a value considerably in excess of their book values.

It is proposed to carry out, during 1986, a further professional valuation of the Group's properties, the results of which, relating to investment properties, will be incorporated into the March 1987 Accounts.

Directors

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

Mr B S E Freshwater
Mr D Davis

The Board record with deep regret the death, on 1st August 1985, of Mr Louis Scott who had been a Director of the Company since March 1973.

Mr S I Freshwater was appointed a Director of the Company on 29th January 1986 and, in accordance with the Articles of Association, he now retires and offers himself for re-election.

The Director retiring by rotation is Mr D Davis who, being eligible, offers himself for re-election.

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

Directors' Interests in Contracts

Day-to-day management of the Group's properties in the United Kingdom is carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both Companies and Mr B S E Freshwater is also interested in the share capital of Highdorn Co. Limited. Mr B S E Freshwater and Mr D Davis are Directors of the parent company of Freshwater Property Management Limited.

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

Mr S I Freshwater has a small beneficial interest in the parent company of

Residential Management Inc, the corporation which manages the Group's properties and interests in the United States of America.

Prior to his being appointed a Director of the parent company, Mr S I Freshwater also entered into a contract with a US subsidiary company, details of which are set out in Note 20.

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

Share Capital and Substantial Interests

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

The only other interests notified to the Company are those of Mr M Twerski and Mr I Schorr, who are interested in 3,145,000 shares and 1,500,000 shares, respectively, as trustees only and with no beneficial interest. These are part of the shares referred to in Note 2 to the table on page 6.

Debenture Stocks

It is proposed to repay, on 31st October 1986, the outstanding £305,550 6½% Debenture Stock 1983/86 of a subsidiary company, The Bampton Property Group Ltd, which is due to be redeemed by that date.

Income and Corporation Taxes Act 1970

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

Capital Gains Tax

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

Charitable Donations

During the year the Company and its subsidiaries made charitable donations totalling £31,000 net under Deed of Covenant.

Auditors

A resolution will be proposed at the Annual Meeting to re-appoint as auditors Messrs Peat, Marwick, Mitchell & Co and to authorise the Directors to determine their remuneration.

Directors' Report

continued

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

| <i>Daejan Holdings PLC Ordinary Shares</i> | <i>31st March 1986</i> | <i>31st March 1985</i> |
|--|-----------------------------|----------------------------|
| D Davis | 763 (notes 2 & 3) | 763 |
| B S E Freshwater | 590,033 (notes 2, 3, 4 & 5) | 590,033 |
| S I Freshwater | 89,270 (notes 2, 3 & 4) | 89,270 |

Notes:

1. All the above holdings were beneficially owned.
2. A further 4,086,822 shares (31st March 1985—4,086,822) were held by Freshwater family trusts and by charitable companies in which Mr B S E Freshwater, Mr S I Freshwater and Mr D Davis have a non-beneficial interest.
3. In addition to the holdings shown in the table and in note 2 above, companies owned and controlled by Mr B S E Freshwater, Mr S I Freshwater and by their families, and family trusts, held at 31st March 1986 a total of 8,156,431 shares (31st March 1985—8,156,431). Mr D Davis has a non-beneficial interest in some of these
4. shares as a Director of the companies concerned, or as a trustee.
5. Of these shares 89,270 are held by a company owned jointly by Mr B S E Freshwater and Mr S I Freshwater.
6. Mr B S E Freshwater also had at 31st March 1986 a non-beneficial interest in 47,824 shares (31st March 1985—80,824 shares) included in the estate of the late Mr O M Freshwater.
7. There have been no changes in any of the above interests since 31st March 1986.

3rd July 1986

By Order of the Board,
H E Severn,
Secretary

Auditors' Report to the Members of Daejan Holdings PLC

We have audited the accounts on pages 7 to 19 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on pages 11

and 12, give a true and fair view of the state of affairs of the Company and of the Group at 31st March 1986, and of the Profit and Source and Application of Funds of the Group for the year to that date and comply with the Companies Act 1985.

Peat Marwick Mitchell & Co.

London
3rd July 1986

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31st March 1986

| | Notes | 1986 | | 1985 | |
|---|-------|-------|---------|-------|---------|
| | | £000 | £000 | £000 | £000 |
| Rents less property outgoings | 2 | | 8,512 | | 7,906 |
| Surplus on sale of properties | 2 | | 10,289 | | 10,393 |
| Other activities | 3 | | 799 | | 240 |
| | | | 19,600 | | 18,539 |
| Financing charges | 4 | 2,936 | | 3,572 | |
| Administrative and Other Charges | | 1,703 | | 1,712 | |
| | | | (4,639) | | (5,284) |
| Profit on ordinary activities before taxation | 5 | | 14,961 | | 13,255 |
| Taxation on profit on ordinary activities | 6 | | (6,974) | | (5,442) |
| Profit on ordinary activities after taxation | | | 7,987 | | 7,813 |
| Extraordinary item | | 15 | | — | |
| Minority interests | | 11 | | 14 | |
| | | | 26 | | 14 |
| Profit for the financial year | 7 | | 8,013 | | 7,827 |
| Transfer to Other Reserves | 18 | | (28) | | (32) |
| | | | 7,985 | | 7,795 |
| Dividends: | | | | | |
| Interim | | | 815 | | 815 |
| Proposed Final | | 1,466 | (2,281) | 1,303 | (2,118) |
| Retained Profit for the financial year | 18 | | £5,704 | | £5,677 |
| Earnings per Share | 8 | | 49.08p | | 48.03p |

Consolidated Balance Sheet

as at 31st March 1986

| | Notes | 1986 | | 1985 | |
|---|-------|----------|------|----------|------|
| | | £000 | £000 | £000 | £000 |
| Fixed Assets | | | | | |
| Tangible Assets | 9 | 104,813 | | 102,428 | |
| Investments | 10 | 2,699 | | 2,983 | |
| | | 107,512 | | 105,411 | |
| Current Assets | | | | | |
| Properties held for Trading | 11 | 25,099 | | 14,655 | |
| Stocks | | — | | 185 | |
| Deferred Taxation | 6 | 866 | | 1,139 | |
| Debtors | 12 | 9,052 | | 7,281 | |
| Investments | 13 | 4,323 | | 6,649 | |
| Cash at Bank | 15 | 12,973 | | 11,740 | |
| | | 52,313 | | 41,649 | |
| Creditors: Amounts falling due within one year | 14 | (30,997) | | (27,922) | |
| Net Current Assets | | 21,316 | | 13,727 | |
| Total Assets less Current Liabilities | | 128,828 | | 119,138 | |
| Creditors: Amounts falling due after more than one year | 15 | (36,223) | | (35,473) | |
| Provision for liabilities and charges | 16 | (1,460) | | (480) | |
| Net Assets | | £91,145 | | £83,185 | |
| Capital and Reserves | | | | | |
| Called up Share Capital | 17 | 4,074 | | 4,074 | |
| Share Premium Account | | 3,298 | | 3,298 | |
| Revaluation Reserve | 18 | 61,504 | | 58,773 | |
| Other Reserves | 18 | 553 | | 1,013 | |
| Profit and Loss Account | 18 | 21,474 | | 15,776 | |
| | | 90,903 | | 82,934 | |
| Minority Interests | | 242 | | 251 | |
| | | £91,145 | | £83,185 | |

B S E FRESHWATER
D DAVIS

Directors

These Accounts were approved by the Board of Directors on 3rd July 1986

The notes on pages 11 to 19 form part of these Accounts

Balance Sheet

as at 31st March 1986

| | Notes | 1986 £000 | 1985 £000 |
|---|-------|--------------|--------------|
| Fixed Assets | | | |
| Investments in subsidiaries | 19 | 44,940 | 53,334 |
| Current Assets | | | |
| Deferred Taxation | 6 | 629 | 928 |
| Debtors | 12 | 81 | 44 |
| Cash at Bank | 15 | 5,342 | 1,742 |
| | | 6,052 | 2,714 |
| Creditors: Amounts falling due within one year | 14 | (5,873) | (6,641) |
| Net Current Assets/(Liabilities) | | 179 | (3,927) |
| Total Assets less Current Liabilities | | 45,119 | 49,407 |
| Creditors: Amounts falling due after more than one year | 15 | (19,976) | (23,936) |
| Net Assets | | £25,143 | £25,471 |
| Capital and Reserves | | | |
| Called up Share Capital | 17 | 4,074 | 4,074 |
| Share Premium Account | | 555 | 555 |
| Revaluation Reserve | 18 | 20,400 | 20,400 |
| Other Reserves | 18 | 111 | 395 |
| Profit and Loss Account | 18 | 3 | 47 |
| | | £25,143 | £25,471 |



Daejan Holdings
D J FRESHWATER
D DAVIS | Directors

These Accounts were approved by the Board of Directors on 3rd July 1986

The notes on pages 11 to 19 form part of these Accounts.

Source and Application of Funds

for the year ended 31st March 1986

| | 1986 | | 1985 | |
|--|---------|---------|---------|---------|
| | £000 | £000 | £000 | £000 |
| Source of Funds | | | | |
| Profit on ordinary activities before tax | | 14,961 | | 13,255 |
| Extraordinary item | | 15 | | — |
| Adjustments for items not involving the movements of funds: | | | | |
| Depreciation | 66 | | 57 | |
| Surplus on disposal of investment properties and other fixed assets | (4,624) | | (5,550) | |
| Movements in provisions | 980 | | 86 | |
| Movements not dealt with in the Revenue Account | (570) | (4,148) | 235 | (5,172) |
| Funds generated from operations | | 10,828 | | 8,083 |
| Funds from other sources: | | | | |
| Increase in mortgage advances and other loans | 750 | | — | |
| Proceeds from the sale of investment properties and other fixed assets | 5,006 | 5,756 | 6,944 | 6,944 |
| | | 16,584 | | 15,027 |
| Application of Funds | | | | |
| Purchase of fixed assets | 22 | | 5,754 | |
| Decrease in mortgage advances and other unsecured loans | — | | 955 | |
| Movements of fixed asset investments | (284) | | 3,508 | |
| Taxation paid | 5,269 | | 1,680 | |
| Dividends paid | 2,118 | 7,125 | 2,397 | 14,294 |
| | | £9,459 | | £733 |
| Represented by: | | | | |
| Increase/(decrease) in working capital | | | | |
| Increase/(decrease) in properties held for trading | | 10,444 | | (778) |
| Decrease in textile stocks | | (185) | | (151) |
| Increase in debtors | | 1,674 | | 1,004 |
| Increase in creditors | | (2,353) | | (2,143) |
| Debenture stock due within one year | | (306) | | — |
| Increase/(decrease) in balance with managing agents Highdorn Co. Limited | | — | | 741 |
| Decrease in investments held as current assets | | (2,326) | | (57) |
| | | 6,948 | | (1,384) |
| Movements in net liquid funds: | | | | |
| Increase in cash at bank | 1,233 | | 2,809 | |
| Decrease/(increase) in bank loans and overdrafts | 1,278 | 2,511 | (692) | 2,117 |
| | | £9,459 | | £733 |

Notes on the Accounts

1. Principal Accounting Policies

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

(a) Basis of Accounting

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

(b) Consolidation

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

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

(c) Income Available for Distribution

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

(d) Depreciation

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

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

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

(e) Acquisitions and Disposals of Properties

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

(f) Deferred Taxation

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

(g) Properties

(i) Investment Properties

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

(ii) Trading and Development Properties

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

(h) Foreign Currencies

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

(i) Overseas Profits

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

Notes on the Accounts

continued

1. Principal Accounting Policies (continued)

(j) Sales of Investment Properties

It is Group policy to sell in significant numbers, as individual units, flats in residential blocks which have been held as investments but which are now considered uneconomic to retain. Occasionally there are sales of residential and commercial investment blocks. Since such sales of all types of investment property are expected to continue, the resulting surplus based on the excess of sales proceeds over

original cost, plus subsequent additions, is included with the Group profit. Taxation on the gains arising on these sales is shown as part of the taxation charge.

(k) Repairs

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

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 | 1986 Cost of turnover £000 | Gross profit £000 | Turnover £000 | 1985 Cost of turnover £000 | Gross profit £000 |
|---|------------------|-------------------------------------|-------------------------|------------------|-------------------------------------|-------------------------|
| Rents and service charges receivable (see (i) below) | 19,393 | (10,881) | 8,512 | 17,483 | (9,577) | 7,906 |
| Trading property sales | 10,211 | (3,820) | 6,391 | 8,423 | (2,821) | 5,602 |
| Investment property sales (see (ii) below) | 4,994 | (1,096) | 3,898 | 5,695 | (904) | 4,791 |
| | <u>£34,598</u> | <u>(£15,797)</u> | <u>£18,801</u> | <u>£31,601</u> | <u>(£13,302)</u> | <u>£18,299</u> |

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

| | UK £000 | US £000 |
|--------------------------------------|----------------|---------------|
| Rents and service charges receivable | 18,850 | 543 |
| Trading property sales | 8,778 | 1,433 |
| Investment property sales | 4,994 | — |
| | <u>£32,622</u> | <u>£1,976</u> |

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

| | 1986 £000 | 1985 £000 |
|--|--------------|--------------|
| Wages and salaries | 686 | 646 |
| Social security costs | 62 | 65 |
| The average number of employees during the year was 175 (1985—170). These figures relate to portage staff only. | | |
| | <u>£748</u> | <u>£711</u> |

(ii) Investment property sales

| | 1986 £000 | 1985 £000 |
|---|---------------|---------------|
| Transfer from revaluation reserve of surplus now realised (note 18) | 1,151 | 1,578 |
| Surplus over book value | 2,747 | 3,213 |
| | <u>£3,898</u> | <u>£4,791</u> |

3. Other Activities

| | 1986 | 1985 |
|--|-------------|-------------|
| | £000 | £000 |
| Textile merchanting | (16) | (142) |
| Share of U.S.A. partnerships' results | 714 | 308 |
| Sundry income | 92 | 64 |
| Surplus on redemption of debentures and loan stock | 9 | 10 |
| | <u>£799</u> | <u>£240</u> |

4. Financing Charges

| | 1986 | 1985 |
|--|---------------|---------------|
| | £000 | £000 |
| Interest payable on bank loans and overdrafts: | | |
| Repayable within 5 years | 3,092 | 3,128 |
| Repayable in more than 5 years | 1,546 | 1,605 |
| | <u>4,638</u> | <u>4,733</u> |
| Less: Interest receivable | 1,702 | 1,161 |
| | <u>£2,936</u> | <u>£3,572</u> |

5. Profit on Ordinary Activities before Taxation

| | 1986 | 1985 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Profit on ordinary activities before taxation is stated after charging the following: | | |
| Amortisation of short leases | 63 | 53 |
| Depreciation of furniture, fittings and equipment | 3 | 4 |
| Audit fees | 155 | 130 |
| Directors' emoluments (see (i) and (ii) below) | | |
| Fees | 10 | 12 |
| Other remuneration | 125 | 120 |
| (i) Chairman and highest paid Director | <u>£73,500</u> | <u>£73,500</u> |
| (ii) Other Directors | | |
| £0 to £5,000 | <u>Number 3</u> | <u>Number 2</u> |

Notes on the Accounts

continued

6. Taxation on Profit on Ordinary Activities

| (a) Taxation based on the profit for the year of the Company and its subsidiaries: | 1986 | 1985 |
|--|---------------|---------------|
| | £000 | £000 |
| UK corporation tax at 40% (1985—45%) | 5,751 | 5,413 |
| Overseas taxation | 745 | — |
| Deferred taxation | (5) | 86 |
| | 6,491 | 5,499 |
| Prior year adjustments | 483 | (57) |
| | <u>£6,974</u> | <u>£5,442</u> |

The charge for United Kingdom corporation tax on the profits for the year has been reduced by accelerated capital allowances of £20,000 (1985—£115,000) and Industrial Building Allowances of £26,000 (1985—£604,000).

(b) Deferred Taxation Asset

| | The Group | | The Company | |
|---|-------------|---------------|-------------|-------------|
| | 1986 | 1985 | 1986 | 1985 |
| | £000 | £000 | £000 | £000 |
| Advance corporation tax recoverable | 623 | 907 | 623 | 907 |
| Taxation deferred by capital allowances | — | (34) | — | — |
| Short term timing differences | 80 | 77 | 6 | 21 |
| Other timing differences | 163 | 189 | — | — |
| | <u>£866</u> | <u>£1,139</u> | <u>£629</u> | <u>£928</u> |

Apart from the above items there was at 31st March 1986 a potential liability for deferred taxation in respect of Industrial Building Allowances of £1,273,000 (1985—£1,325,000).

No provision has been made in these Accounts in respect of this liability as it is not expected to arise in the foreseeable future.

(c) Tax losses

The liability to corporation tax recognised in the Profit and Loss Account and included in the Balance Sheet has been arrived at without taking account of taxation relief which may be

In the event of a realisation of the Group's investment properties and of the Company's investment in subsidiaries at an amount equal to the valuation recorded in the Accounts, a liability to corporation tax on chargeable gains would arise estimated at not more than £19m and £6m respectively (1985—£18.2m and £6m) and for which no provision has been made in these Accounts.

available on capital losses in certain subsidiary companies estimated at not more than £8.5m (1985—£8.5m).

7. Profit after Taxation and Minority Interests for the Financial Year

Of the Group profit after taxation and minority interests for the financial year a surplus of £2,237,000 (1985—£2,137,000) 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 £7,998,000 (1985—£7,827,000) and

16,295,357 shares in issue at 31st March 1986 (1985—16,295,357).

9. Tangible Assets

| | Investment Properties | | | | Total | Total |
|---|-----------------------|----------------|-----------------|---------------------|-----------------|-----------------|
| | Freehold | Long Leasehold | Short Leasehold | Fixtures & Fittings | 1986 | 1985 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1st April 1985 | 85,577 | 15,780 | 1,056 | 15 | 102,428 | 87,662 |
| Reclassifications | (40) | (509) | 549 | — | — | — |
| Additions | 5 | 17 | — | — | 22 | 5,754 |
| Disposals | (1,307) | (214) | — | (12) | (1,533) | (2,195) |
| Depreciation | — | — | (63) | (3) | (66) | (57) |
| Revaluation (see note below) | 3,377 | 521 | 64 | — | 3,962 | 11,264 |
| At Directors' Valuation 31st March 1986 | <u>£87,612</u> | <u>£15,595</u> | <u>£1,606</u> | <u>—</u> | <u>£104,813</u> | <u>£102,428</u> |

A professional revaluation of all the Group's properties in the United Kingdom was carried out at 31st January 1982 and it is proposed to carry out a further professional valuation, the results of which will be incorporated into the March 1987 accounts. In the intervening years the Directors have carried out revaluations the results of which have been incorporated into the accounts. The historic cost net book value of investment properties at 31st March 1986 is £41,368,000 (1985—£42,478,000).

10. Investments held as Fixed Assets

| | 1986 | 1985 |
|---|---------------|---------------|
| | £000 | £000 |
| Interest in syndicates to acquire Industrial Buildings | 617 | 1,117 |
| Mortgages granted—repayable after one year | 1,304 | 1,047 |
| Collateral endowment insurance policies at cost (i) | 405 | 448 |
| Collateral deposits (ii) | 25 | 23 |
| Investment in subsidiaries not consolidated (note 19 (b)) | 154 | 154 |
| Amounts owed by subsidiaries not consolidated (iii) | 194 | 194 |
| | <u>£2,699</u> | <u>£2,983</u> |

Notes:

- (i) Surrender values—£492,000 (1985—£535,000).
(ii) Represents deposits by certain subsidiaries given as security for the loans of third parties.

| | 1986 | 1985 |
|--|-------------|-------------|
| | £000 | £000 |
| (iii) Amounts due from subsidiaries not consolidated | 344 | 344 |
| Amounts due to subsidiaries not consolidated | (150) | (150) |
| | <u>£194</u> | <u>£194</u> |

11. Properties held for trading

| | 1986 | 1985 |
|--|----------------|----------------|
| | £000 | £000 |
| At the lower of cost and net realisable value: | | |
| Completed properties | 25,091 | 14,647 |
| Developments | 8 | 8 |
| | <u>£25,099</u> | <u>£14,655</u> |

Notes on the Accounts

continued

12. Debtors

| | <i>The Group</i> | | <i>The Company</i> | |
|-------------------------------|------------------|---------------|--------------------|------------|
| | 1986 | 1985 | 1986 | 1985 |
| | £000 | £000 | £000 | £000 |
| Rents and service charges | 6,241 | 6,143 | — | — |
| Other debtors and prepayments | 2,692 | 1,129 | 36 | 44 |
| Taxation recoverable | 106 | 9 | 38 | — |
| Interest receivable | 13 | — | 7 | — |
| | <u>£9,052</u> | <u>£7,281</u> | <u>£81</u> | <u>£44</u> |

13. Investments held as Current Assets

| | 1986 | 1985 |
|--|---------------|---------------|
| | £000 | £000 |
| Shares in U.S.A. Co-operative Corporations (i) | 2,445 | 3,997 |
| Investments in U.S.A. Partnerships (i) & (ii) | 1,395 | 2,051 |
| Loan to U.S.A. Partnership (i) | 381 | 469 |
| Mortgages granted | 27 | 26 |
| Listed securities at the lower of cost and net realisable value (Market value £150,000) (1985—£114,000) | 75 | 92 |
| Unlisted securities | — | 8 |
| Deposits with lenders | — | 6 |
| | <u>£4,323</u> | <u>£6,649</u> |

Note (i) It is group policy to sell on a regular basis properties in the U.S.A. and these items therefore have been transferred from fixed to current assets. The relevant figures have been adjusted in the comparatives accordingly.

Note (ii) Net Assets of U.S.A. Partnerships comprise:
Shares in Co-operative Corporations
Mortgages granted
Cash and other assets

| | |
|--|---------------|
| | 1986 |
| | £000 |
| | 4,358 |
| | 3,958 |
| | 728 |
| | 9,044 |
| Less: Creditors repayable within one year | (641) |
| Creditors repayable after one year (secured) | (4,716) |
| | <u>£3,687</u> |
| Groups share of net assets | 2,241 |
| Less deferral of profits (Note 1 (i)) | |
| Prior years brought forward | 526 |
| Current year | 320 |
| | <u>846</u> |
| | <u>£1,395</u> |

14. Creditors: Amounts falling due within one year

| | <i>The Group</i> | | <i>The Company</i> | |
|--|------------------|----------------|--------------------|---------------|
| | 1986 | 1985 | 1986 | 1985 |
| | £000 | £000 | £000 | £000 |
| Mortgage advances (secured) | 275 | 251 | 216 | 216 |
| Bank loans and overdrafts (secured) | 3,310 | 4,588 | 2,216 | 2,919 |
| 6½% Debenture stock | 306 | — | — | — |
| Rents and service charges charged in advance | 3,389 | 2,429 | — | — |
| Other creditors and accruals | 6,203 | 4,834 | 1,029 | 1,630 |
| Taxation | 16,048 | 14,517 | 946 | 573 |
| Proposed dividend | 1,466 | 1,303 | 1,466 | 1,303 |
| | <u>£30,997</u> | <u>£27,922</u> | <u>£5,873</u> | <u>£6,641</u> |

15. Creditors: Amounts falling due after more than one year

| | <i>The Group</i> | | <i>The Company</i> | |
|--------------------------------------|------------------|----------------|--------------------|----------------|
| | 1986 | 1985 | 1986 | 1985 |
| | £000 | £000 | £000 | £000 |
| Debentures and Unsecured Loan Stocks | 6,523 | 6,883 | — | — |
| Mortgage advances | 13,760 | 11,669 | 4,536 | 3,832 |
| Bank Loans | 15,940 | 16,921 | 15,440 | 20,104 |
| | <u>£36,223</u> | <u>£35,473</u> | <u>£19,976</u> | <u>£23,936</u> |

Analysis of creditors falling due after more than one year

| | <i>Interest Rate</i> | <i>The Group</i> | | <i>The Company</i> | |
|--|----------------------|------------------|----------------|--------------------|----------------|
| | | 1986 | 1985 | 1986 | 1985 |
| | | £000 | £000 | £000 | £000 |
| Amounts repayable after 1st April 1991 | | | | | |
| Unsecured Loan Stock 2002-07 | 8¼% | 2,046 | 2,071 | — | — |
| Unsecured Loan Stock 1991-96 | 7¼% | 1,119 | 1,119 | — | — |
| Instalment Mortgages 1987-2001 | 7%-13¼% | 9,902 | 9,862 | 3,641 | 2,937 |
| Debenture Stocks 1990-1997 | 6½%-8¼% | 2,700 | 2,700 | — | — |
| Bank Loans and Overdrafts | variable | — | 10 | — | 10 |
| | | <u>15,767</u> | <u>15,762</u> | <u>3,641</u> | <u>2,947</u> |
| Amounts repayable between 1st April 1988 and 31st March 1991 | | | | | |
| Debenture Stock 1985-1988 | 6½% | 658 | 680 | — | — |
| Instalment Mortgages | 6%-14½% | 3,546 | 1,435 | 679 | 679 |
| Bank Loans and Overdrafts (a) | variable | 15,530 | 16,901 | 15,030 | 84 |
| | | <u>19,734</u> | <u>19,016</u> | <u>15,709</u> | <u>763</u> |
| Amounts repayable between 1st April 1987 and 31st March 1988 | | | | | |
| Instalment Mortgages | 7%-10¼% | 312 | 372 | 216 | 216 |
| Bank Loans and Overdrafts | variable | 410 | 10 | 410 | 20,010 |
| Debenture Stock 1983-1986 | 6½% | — | 313 | — | — |
| | | <u>722</u> | <u>695</u> | <u>626</u> | <u>20,226</u> |
| Total amount of Long Term Loans | | <u>£36,223</u> | <u>£35,473</u> | <u>£19,976</u> | <u>£23,936</u> |
| Amount of Long Term Loans secured (b) | | <u>£33,058</u> | <u>£32,283</u> | <u>£19,976</u> | <u>£23,936</u> |
| Amounts repayable before 31st March 1987 included in current liabilities (see note 14) | | | | | |
| Instalment Mortgages | 7%-10¼% | 275 | 251 | 216 | 216 |
| Bank Loans and Overdrafts | variable | 3,310 | 4,588 | 2,216 | 2,919 |
| Debenture Stocks 1983-1986 | 6½% | 306 | — | — | — |
| | | <u>£3,891</u> | <u>£4,839</u> | <u>£2,432</u> | <u>£3,135</u> |

(a) Of the total amount shown in the Balance Sheets as cash at bank £4.5m represents deposits with a bank which at 31st March 1986 had provided loans of £15.4m.

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

16. Provision for liabilities and charges

| | <i>Property development provision</i> | <i>USA deferred taxation</i> | <i>Total</i> |
|----------------------------|---------------------------------------|------------------------------|---------------|
| | £000 | £000 | £000 |
| Balance at 1st April 1985 | 480 | — | 480 |
| Transfer from creditors | — | 229 | 229 |
| Utilised during the year | — | (49) | (49) |
| Provided during the year | — | 800 | 800 |
| Balance at 31st March 1986 | <u>£480</u> | <u>£980</u> | <u>£1,460</u> |

Notes on the Accounts

continued

17. Share Capital

| | Number | 1986 £000 | 1985 £000 |
|--|------------|--------------|--------------|
| <i>Authorised:</i> | | | |
| Ordinary shares of 25 pence per share | 18,722,596 | £4,681 | £4,681 |
| <i>Allotted, called up and fully paid:</i> | | | |
| Ordinary Shares of 25 pence per share | 16,295,357 | £4,074 | £4,074 |

18. Reserves

| | <i>The Group</i> £000 | | <i>The Company</i> £000 |
|--|--------------------------|--|----------------------------|
| <i>Revaluation Reserve:</i> | | | |
| At 1st April 1985 | 58,773 | | 20,400 |
| Transfer to Profit and Loss Account of surpluses on prior years revaluation of investment properties now realised (note 2) | (1,151) | | — |
| Fixed asset revaluation (note 9) | 3,962 | | — |
| Other adjustments | (80) | | — |
| | <u>£61,504</u> | | <u>£20,400</u> |
| <i>Other Non Distributable Reserves:</i> | | | |
| At 1st April 1985 | 1,013 | | 395 |
| Transfer from Profit and Loss Account (note 1c) | 28 | | — |
| Exchange rate loss | (505) | | (284) |
| Reclassification | 6 | | — |
| Other adjustments | 11 | | — |
| | <u>£553</u> | | <u>£111</u> |
| <i>Profit and Loss Account:</i> | | | |
| At 1st April 1985 | 15,776 | | 47 |
| Profit for year after transfer to Other Reserves | 5,704 | | (44) |
| Reclassification | (6) | | — |
| | <u>£21,474</u> | | <u>£3</u> |

19. Investment in subsidiaries

| | 1986 £000 | 1985 £000 |
|-------------------------------|----------------|----------------|
| <i>(a) The Company</i> | | |
| Shares at cost | 1,446 | 1,446 |
| Surplus on revaluation | 20,400 | 20,400 |
| | <u>21,846</u> | <u>21,846</u> |
| Amounts due from subsidiaries | 29,477 | 32,060 |
| | <u>51,323</u> | <u>53,906</u> |
| Amounts due to subsidiaries | (6,383) | (572) |
| | <u>£44,940</u> | <u>£53,334</u> |

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

*(b) The Group—Subsidiaries not consolidated.
(Cost and Directors' valuation £154,000)*

There have been excluded from the Consolidated Accounts the results of certain subsidiary companies acquired at a cost of £154,000 (1985—£154,000). The combined profits since acquisition attributable to the Company as indicated by their accounts amounted to £8,000 (1985—£8,000) and their aggregate liabilities at 31st March, 1986 were substantially in excess of their assets. In the

Directors' opinion the liabilities of these companies could not fall upon other Group companies and therefore the consolidation of the above mentioned accounts would have been misleading.

(c) During the year a subsidiary company acquired the minority shareholding in Moss Miller Limited for £64,640 and simultaneously disposed of the company's business, with the exception of the freehold property, for £99,000 (Book value £84,000).

20. Directors' Interests in Contracts

Day-to-day management of the Group's properties in the United Kingdom is carried out by Highdorn Co Limited and by Freshwater Property Management Limited. Mr B S E Freshwater and Mr S I Freshwater are Directors of both Companies and Mr B S E Freshwater is also interested in the share capital of Highdorn Co Limited. Mr B S E Freshwater and Mr D Davis are Directors of the parent company of Freshwater Property Management Limited.

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

| Highdorn Co Ltd | | Freshwater Property Management Ltd | |
|-----------------|-------|------------------------------------|------|
| 1986 | 1985 | 1986 | 1985 |
| £000 | £000 | £000 | £000 |
| 1,667 | 1,607 | 623 | 586 |

Residential Management Inc., a U.S.A. Corporation in which Mr S I Freshwater has a small beneficial interest, manages the properties owned by Daejan (N.Y.) Limited. During the year Residential Management Inc., received US\$414,078 for such management services.

In order to comply with Section 216B of the US Internal Revenue Code, it was necessary to dispose of a number of units in one of the Group's New York properties so as to reduce the proportion remaining in the ownership of Daejan (N.Y.) Ltd, at the end of a three year period, to below 20 per cent. This was achieved by selling to Mr S I Freshwater 28 units for a total consideration of US\$896,150 which was supported by a formal arm's length professional valuation.

It may be necessary for further such sales to be made in future in respect of other New York properties owned by the Group.

21. Contingent Liabilities

The Company has guaranteed bank and mortgage indebtedness and unsecured loan stock of certain subsidiaries which at 31st March 1986 amounted to £20.5m (1985—£20.7m).

22. Principal Subsidiary Companies

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

All the above are Property Companies unless otherwise noted. Except where indicated they are all incorporated in England and are wholly owned unless there is a figure in brackets after the name, which indicates the percentage of the equity held.

Statistical Record

Year ending 31st March

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---------------------------------|---------|---------|---------|---------|---------|
| | £000 | £000 | £000 | £000 | £000 |
| Net Rental Income | 4,943 | 5,529 | 6,616 | 7,906 | 8,512 |
| Surplus on Sale of Properties | 5,531 | 7,135 | 10,589 | 10,393 | 10,289 |
| Other Income | 112 | (141) | 102 | 240 | 799 |
| | 10,586 | 12,523 | 17,307 | 18,539 | 19,600 |
| Group Profit before Taxation | 4,737 | 6,930 | 12,827 | 13,255 | 14,961 |
| Taxation | 1,741 | 2,574 | 5,437 | 5,442 | 6,974 |
| Minority Interests | 5 | 41 | 5 | 14 | 11 |
| Transfer to Reserve | 91 | 21 | 81 | 32 | 28 |
| Available Surplus | 2,900 | 4,294 | 7,304 | 7,795 | 7,970 |
| Earnings: p. per share | 18.35 | 26.48 | 45.32 | 48.03 | 49.08 |
| Dividends: p. per share (Gross) | 6.79 | 8.21 | 17.86 | 18.57 | 19.82 |
| Gross Assets | 111,706 | 116,744 | 126,376 | 147,060 | 159,825 |
| Net Assets | 58,608 | 60,787 | 67,304 | 82,934 | 90,903 |
| Net Assets: p. per share | 360 | 373 | 413 | 509 | 558 |
| Represented by: | | | | | |
| Share Capital | 4,074 | 4,074 | 4,074 | 4,074 | 4,074 |
| Reserves and Retained Profit | 54,534 | 56,713 | 63,230 | 78,860 | 86,829 |
| Net Interest of Members | £58,608 | £60,787 | £67,304 | £82,934 | £90,903 |

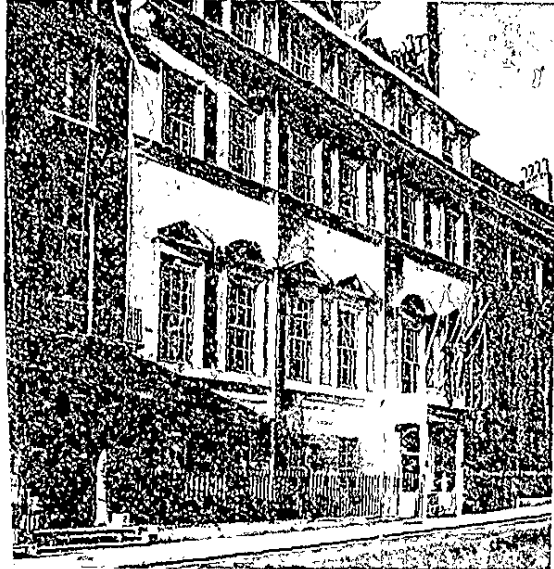
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