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REPORT & ACCOUNTS 1990

ROSEHAUGH

Rosehaugh Public Limited Company

REPORT AND ACCOUNTS

for the year ended 30th June, 1990

CONTENTS

DIRECTORS AND ADVISERS

Directors

G. M. Bradman FCA *Chairman and Joint Chief Executive*
S. Adam FCA *Joint Chief Executive*
T. P. Amos BSc, FCIOB
A. Ashenden BSc, FRICS
C. M. J. Forshaw FCA
A. J. Gay
R. A. Green AIB
G. E. Johnson MA
T. J. Nardecchia OBE, BSc, FRICS *Non-Executive*
P. D. Rivlin BA, ACMA

Secretary

C. M. J. Forshaw FCA

Registered office

9 Marylebone Lane, London W1M 5FB

Stockbrokers

Rowe & Pitman Ltd.
1 Finsbury Avenue, London EC2M 2PA

Financial Advisers

S. G. Warburg & Co. Ltd.
2 Finsbury Avenue, London EC2M 2PA

County NatWest Limited
135 Bishopsgate, London EC2M 3UR

Robert Fleming & Co. Limited
25 Copthall Avenue, London EC2R 7DR

Auditors

Arthur Andersen & Co.
Chartered Accountants
1 Surrey Street, London WC2R 2PS

Registrars

Lloyds Bank Plc
Registrars Department
Goring-by-Sea, Worthing
West Sussex BN12 6DA

CHAIRMAN'S STATEMENT

We have acted decisively on a number of fronts to secure the Group's long term future prospects in response to a major deterioration in market conditions.

Our trading subsidiaries began the year under review with a significant number of development projects underway and programmed to become available for letting and sale during the year. Consumer and investor demand for such properties weakened to give rise to difficult trading conditions in the first half of the year under review. Since the spring there has been a sharp further deterioration in most sectors of the market. We were during the year therefore faced with the unacceptable prospect of increasing levels of trading stocks and borrowings, as projects were completed and became available for sale in a weakening market, particularly in the case of projects being undertaken by Rosehaugh Copartnership, Rosehaugh Heritage and Shearwater. It was necessary to take vigorous action to adjust to the new market conditions and to strengthen the balance sheet.

During the year we raised £125 million through a Rights Issue and achieved disposals of some £128 million of Group properties comprising trading stock and other properties including proceeds of shared equity residential sales. Further disposals of £77 million have been achieved since the year end, including the disposal of Rosehaugh Heritage. We have substantially reduced the scale of the Group's future commitments in sectors of the market which have been most affected by the downturn and where recovery is expected to be slow. The reductions achieved in levels of development activity have enabled us significantly to reduce staffing levels and overheads.

We have made extensive provisions to reduce the carrying value of Group trading stock to levels which we judge to be prudent and realistic, taking account of the further deterioration in the market since the year end and the costs of holding trading stock until the anticipated date of sale; and, further, in respect of costs incurred on projects which we do not now intend to pursue. Because of these exceptional provisions, the results for the year show substantial losses in the profit and loss account. At the same time, however, the value of Broadgate and Finsbury Avenue did not show any material change, confirming the high quality of our principal fixed assets.

Although prospects in the short term will continue to be affected by the depressed state of the market for most types of property, the Board regards the actions which have been taken as essential in refocussing the Group and providing a sound foundation for the 1990s.

Results for the Year to 30th June, 1990

Net asset value at 30th June, 1990 amounted to £475 million which compares with £479 million at 30th June, 1989, prior to the Rights Issue and a proforma value of £604 million after the Rights Issue. Net assets per share, after allowing for minority interests, was £3.73 at 30th June, 1990 compared with £4.77 (adjusted for the Rights Issue) at 30th June, 1989. The reduction in net assets reflects the provisions of £137 million made in the profit and loss account for exceptional items in subsidiary and related companies. After allowing for these exceptional items and the consequential tax credit of £14 million, the loss after taxation for the year was £151 million, compared with a profit of £25 million in the previous year.

The Board is not recommending the payment of a dividend for the year.

Principal Fixed Assets

The two most recently completed buildings at Broadgate, Phases 7 and 11, were valued for the first time at 30th June, 1990 and the Group's share of the surplus arising is included in the Group's net asset value as at that date. The other completed phases at Broadgate, and the three phases at Finsbury Avenue, did not show any material change in value over the preceding year.

This confirms our view that Broadgate and Finsbury Avenue are assets of the highest quality. Both developments are now firmly established City locations, have excellent tenants, and are approaching maturity; the first rent review at 1 Finsbury Avenue has recently been satisfactorily concluded and the first rent reviews on the first two Broadgate phases are due in December 1991.

Borrowings and Work-In-Progress

At 30th June, 1990, the Group had net borrowings of £350 million which were drawn under medium term facilities. This compares with borrowings of £410 million at 31st January, 1990, immediately prior to the Rights Issue. Having now reduced our future commitments, we are determined to continue to take the necessary action to reduce Group borrowings over the next two years.

The level of development work in progress and properties held for resale in subsidiaries at 30th June, 1990, after allowing for provisions, was £340 million, compared with £305 million at 30th June, 1989 and £413 million in January 1990, immediately before the Rights Issue. £131 million is attributable to the commercial division, £121 million to the residential division and £88 million to the retail division. Construction costs to complete projects currently under construction in subsidiaries amounts to approximately £30 million.

Group Management and Divisional Review

Changes have been made in the Group's management structure to reflect the streamlining of our activities and the substantial reduction in the development programme. The Group now operates through three divisions concentrating on commercial, residential and retail developments; and also through three principal related companies, Rosehaugh Stanhope, Rosehaugh Greycoat and London Regeneration Consortium. The reductions made in staffing levels will lead to significant savings in personnel and associated costs. The effect of the measures we have taken will begin to be felt in the current year, but more significantly in the following year.

Commercial Division

Rosehaugh Estates now undertakes the Group's commercial activities other than large long term projects undertaken with joint venture partners in related companies. The range of projects includes commercial and industrial schemes ranging in size, content and timing, thereby providing a wide spectrum of opportunities. The division has also taken responsibility for the management of commercial projects previously being undertaken by Rosehaugh Copartnership and Rosehaugh Developments.

A substantial programme of projects was successfully completed, let and sold during the year to 30th June, 1990, and since the year end, notwithstanding difficult market conditions. Sales included Crabtree Village in Thorpe, Liberty Centre in Reigate, Rapid House in High Wycombe, and Claridge Court in Berkhamsted. Two floors of 24 Chiswell Street, EC1 have been let to a subsidiary of the Royal Bank of Scotland.

Since the year end, we have sold Rosehaugh Heritage, so disposing of a number of sites held for future development, projects in the course of construction and a number of completed developments. As a result of the disposal, it was not necessary to incur the cost of completing work in progress under the Rosehaugh Heritage construction programme, nor the substantial further sums that would have been required to build out the sites held for development where work had yet to commence.

Rosehaugh Estates has a number of well located sites which offer good prospects for the medium term. These include property for redevelopment, refurbishment and investment with future development potential when market conditions allow.

Residential Division

Residential activities of the Group, including the management of Rosehaugh Copartnership residential developments, are now being undertaken by Pelham Homes. During the year under review, Pelham made a substantial profit for the Group.

The main emphasis of Pelham's business will continue to be the early identification of land which is suitable primarily for residential development, undertaking the necessary master planning and infrastructure work and making land available when fully serviced to national house builders and other developers.

Pelham currently has an interest in over 7,000 residential plots with the benefit of outline planning permissions, together with interests or options over other land which has the potential for up to 2,000 residential units and in excess of one million sq ft of business park accommodation. These interests have been created over the years at relatively low cost and with potential for significant surpluses. A surplus of some £46 million above carrying cost was shown by a recent independent valuation of Pelham's land interests carried out for the purposes of valuing the shares of Pelham in connection with its employee share option scheme. This surplus has not been recognised in the Group accounts.

In the year under review good progress has continued to be made at Chafford Hundred in Essex where Pelham, as managing partner, is undertaking the development of a new town in a joint company with Blue Circle Industries and Pearson. Both Chafford Hundred Limited and the other house builders currently active on the site continue to make sales, albeit at lower levels than in previous years. Prospects at Chafford Hundred will be further enhanced with the recent opening of the Lakeside Shopping Centre immediately adjoining Chafford Hundred and the completion in 1991 of the Dartford Bridge.

At Ashford, Kent, outline planning consent was achieved on approximately 220 acres of land owned by Park Farm Ashford Limited, a company which Pelham owns on a 50:50 basis with Mountleigh. The planning permission received is for a mixed development with capacity for up to 2,000 houses, 120,000 sq ft of retail use, open space and commercial leisure use. Contracts have been exchanged with Tesco for the sale of 12 acres of land and the construction of a superstore.

Approximately 75% of the Rosehaugh Copartnership residential units which were available for sale at the beginning of 1990 have now been sold. The Group, however, retains an interest having a current carrying value of £6.8 million in those properties sold on a 50:50 shared equity basis as part of the sales incentive measures which were introduced in the spring. The Group's ongoing activities in the London residential market are now limited principally to two significant projects. The Anchorage, adjoining Canary Wharf in Docklands, which has recently been completed and where marketing is now underway, and construction of high quality apartments at Abbey Road in St John's Wood, due for completion next summer.

Retail Division

Shearwater undertakes the Group's retail developments and mixed use developments with a significant retail component. We have substantially reduced the Group's commitments in the retail sector and made management changes at Shearwater. Since the year end we have sold our interests in sites for proposed large retail developments at Blue Water Park near Dartford and Exe Vale near Exeter.

During the year, construction of shopping centres at Torquay, Prescot, Trowbridge and Horsham (a joint venture project with Associated British Ports) was completed. Horsham had been pre-sold. Prescot is virtually fully let and Torquay is some 85 per cent let. Trowbridge is now over 50 per cent let and other lettings are in hand. Progress was maintained at Ocean Village, Southampton, a major mixed use project being undertaken in a joint company with Associated British Ports, where recent developments have included the letting of a 25,000 sq ft office building to Price Waterhouse.

Looking to the future, Shearwater has entered into partnership with the Church Commissioners for the development of a regional shopping centre for the North West located near Chester; and an agreement with Birmingham City Council for a mixed use development at Brindleyplace, adjoining the National Convention Centre and Indoor Sports Arena. In both cases, negotiations with the planning authority are proceeding satisfactorily and it is our intention that both projects will be developed with joint venture partners as market conditions allow. Discussions are proceeding with potential joint venture partners and the Tyne and Wear Development Corporation in connection with the possibility of a future mixed use development at Newcastle Quayside.

Shearwater now has a clearly defined range of projects, each offering good prospects, and for the time being it is not our intention to add to this portfolio.

Rosehaugh Stanhope Developments

Broadgate has continued to progress well. During the year under review, Phases 7 and 11 were completed and substantially let, bringing total office lettings to date to some 2.7 million sq ft net. Phases 8 and 14 comprising a further half million sq ft net are in the course of construction. As part of the corporate planning for RSD, one building, No. 6 Broadgate (Phase 4), has been offered for sale. We are encouraged by the level of interest shown by investors, confirming demand for such quality properties and we anticipate a disposal on satisfactory terms during the course of the current year.

Since the year end it has been announced that project financing of £250 million has been arranged for the Ludgate development between Holborn Viaduct and Blackfriars stations, comprising some 600,000 sq ft net of offices and that agreement has been reached for the pre-letting on acceptable terms of some 525,000 sq ft net of the development to Coopers & Lybrand Deloitte.

The Group's share of the net asset value of RSD at 30th June, 1990 amounted to £200 million, and the Group had a significant further investment in RSD at that date in the form of loans which, together with accrued interest, amounted to £125 million.

External financing is in place for all the Broadgate buildings which have been completed or are under construction, and now also for the Ludgate development. RSD is not expected to require further loans from its shareholders. It is anticipated that surplus funds will become available in the future for the staged repayment of existing shareholders' loans as RSD proceeds with the implementation of its programme for the disposal of No. 6 Broadgate, the refinancing of completed buildings and the forthcoming rent reviews on Broadgate buildings commencing in December 1991. On this basis, the present excess in RSD of interest payable over rental income receivable should progressively reduce, and reductions in interest rates would help to accelerate this process.

Rosehaugh Greycoat

All three phases of the Finsbury Avenue development comprising some 420,000 sq ft net of offices are completed and fully let. The project has been highly successful for the Group and the first rent review for 1 Finsbury Avenue has been concluded at a satisfactory level of rent, effective from September 1989.

London Regeneration Consortium

At King's Cross, London Regeneration Consortium (comprising Rosehaugh, Stanhope Properties and NFC) is progressing an outline town planning application with the London Borough of Camden for a comprehensive mixed use development, with substantial office content, on the 134 acre site. During the year, progress has been maintained on the town planning negotiations with Camden, and British Rail is continuing to promote a Parliamentary Bill to obtain powers to undertake a range of railway works at King's Cross, including the second Channel Tunnel terminal. We remain confident that King's Cross will emerge during this decade as one of the key developments in Europe.

Future Prospects

Whilst the Group's performance in the present financial year will continue to be affected by the prevailing market conditions, we should begin to feel the benefits of the significant actions which I have outlined above. Our priority for the short term is to concentrate on completing, letting and disposing of our trading stock.

Rosehaugh remains a substantial company with assets of outstanding quality. We have a number of excellent development opportunities within our existing portfolio and a substantial residential land bank, offering good prospects for growth in the medium term. A clear message to emerge from the past year is that we are operating in an increasingly discriminating market with an emphasis placed on quality, in all its aspects. We will continue to build upon our established reputation for providing buildings which meet the high standards of design and environmental quality increasingly being demanded by occupiers, investors and the community. We are focusing our activities on a smaller number of financially well structured projects at the quality end of the market where maximum value can be added and we can perform to our strengths. Having taken the measures which were necessary in the present market, we are determined to build on the foundations which have now been laid.

This has been a year in which we have made major changes in the management of the Group. We retain an experienced and committed staff and I am grateful to them for their continued support.

Godfrey Bradman
Chairman
27th November, 1990

DIRECTORS' REPORT

for the year ended 30th June 1990

The directors present their report together with the accounts and auditors' report for the year ended 30th June, 1990.

Principal activities and business review

There has been no significant change in the principal activities of the Group during the year. The principal activity of the Company is the holding of investments: subsidiary and related companies are also engaged in this activity and also in property development and investment and in property trading. The results of these activities during the year are discussed in the Chairman's statement.

Group results	1990 £'000	1989 £'000
Turnover	103,210	131,572
Gross profit	9,281	31,224
Share of (loss) income of related companies before exceptional items	(13,805)	8,788
Income from other fixed asset investments and interest receivable	32,086	18,512
Administrative and staff costs	(21,977)	(18,169)
Interest payable	(34,139)	(4,238)
(Loss) profit on ordinary activities before exceptional items and taxation	(28,554)	36,117
Exceptional items	(136,918)	-
(Loss) profit on ordinary activities before taxation	(165,472)	36,117
Taxation credit (charge) on (loss) profit on ordinary activities	14,029	(11,032)
(Loss) profit on ordinary activities after taxation	(151,443)	25,085
(Loss) profit for the financial year	(152,289)	22,692
(Loss) earnings per ordinary share based on (loss) profit for the financial year	*(163.70)p*	*28.23p*

The contributions to turnover and gross profit before exceptional items by each of the principal activities of the Group were as follows:

	1990		1989	
	Turnover £'000	Gross Profit £'000	Turnover £'000	Gross Profit £'000
Property development and trading	95,686	3,528	125,149	26,720
Property rental	4,819	3,487	2,894	2,491
Fees and other trading income	2,705	2,266	3,529	2,013
	103,210	9,281	131,572	31,224

Dividend
The directors recommend that no dividend be paid (1989 — 2.0p per ordinary share before adjustment for the rights issue in March 1990).

Share Capital
On 21st March, 1990 the issued share capital of the Company was increased by the allotment of 63,035,756 new ordinary shares of 20p each on the basis of a one for one rights issue at 200p per share.

Statement of comparative assets and earnings
On page 43 is set out a table summarising the Group's assets, earnings and dividend record over the past five years.

Development properties held for investment and other fixed assets
The movements during the year in the Group's development properties held for investment and other fixed assets are set out in note 11 to the accounts.

Related companies and other fixed asset investments
Information relating to valuations and other events during the year affecting the Group's investment in its principal related companies and other fixed asset investments is provided in note 12 to the accounts.

Post balance-sheet events
On 21st September, 1990 the Group disposed of its interest in Rosehaugh Heritage PLC to Chartwell Land Development Limited, a subsidiary of Kingfisher plc. This and other post balance-sheet events are set out in note 12(d) to the accounts.

Charitable donations
The Company is a member of The Per Cent Club, a group of companies who share a belief in the importance of making a significant contribution to the communities in which they operate, and who have committed themselves to a level of community contributions related to profits or dividends. The Group has established the Rosehaugh Charitable Foundation for this purpose and contributed £192,000 (1989 = £152,000) to charities during the year by reference to the profits of earlier years.

Directors
The directors of the Company in office at the date of this report are shown on page 3, all of whom served throughout the year.

Mr R. G. Howson and Mr L. M. Rowberry resigned from the Board on 25th January, 1990 and 11th October, 1990 respectively.

All of the directors of the Company are executive directors with the exception of Mr T. J. Nardecchia, who was appointed to the Board in November 1979. Mr Nardecchia has considerable town planning expertise and, until his retirement, was senior partner of Montagu Evans, Chartered Surveyors.

Directors' Interests

The beneficial interests of the directors and their families in the shares of the Company (including rights to subscribe for shares under The Rosehaugh PLC 1985 Executive Share Option Scheme) appearing in the register maintained under the provisions of the Companies Act 1985 are as follows:

	30th June, 1990		30th June, 1989	
	Ordinary shares of 20p each	Share options: Ordinary shares of 20p each	Ordinary shares of 20p each	Share options: Ordinary shares of 20p each
C. M. Bradman *Chairman*	7,727,160	67,226	4,055,580	67,226
S. Adam	64,790	382,163	32,395	356,355
T. P. Amos	–	107,632	–	78,493
A. Ashenden	145,000	–	105,500	–
C. M. J. Forshaw	1,000	101,901	500	86,803
A. J. Gay	–	130,731	–	109,182
R. A Green	42,500	–	21,250	–
R. C. Howson (resigned 25th January, 1990)	–*	334,530*	–	334,530
C. E. Johnson	–	89,510	–	74,456
T. J. Nardecchia	181,660	–	120,000	–
P. D. Rivlin	–	85,318	–	70,198
I. M. Rowberry (resigned 11th October, 1990)	26,060	–	13,030	–

**at date of resignation*

Since 30th June, 1990, Mr P. D. Rivlin has acquired 2,000 ordinary shares in the Company. Other than this acquisition, there was no change in beneficial interests of those directors who were in office at 30th June, 1990 and at the date of this report.

On 19th March, 1990 the Company released the Trustees of Mr C. M. Bradman's settlements from undertakings (given at the time of the acquisition from them in 1985 of London Mercantile Holdings ("LMH") which thereby became a wholly-owned subsidiary of the Company) to keep on deposit and not transfer the Rosehaugh shares which were issued as consideration for the acquisition. Those arrangements were designed to provide security for any claims by the Company under the acquisition agreement and the Auditors have confirmed to the independent directors of the Company who approved the release that there is no likelihood of any such claims arising. Mr Bradman will remain personally liable under his guarantee if any such claims do arise.

Further details of The Rosehaugh PLC 1985 Executive Share Option Scheme ("the Scheme") and of interests of the directors in certain subsidiaries are shown in note 18 to the accounts. In accordance with the rules of the Scheme, application has been made to the Inland Revenue to adjust the number of shares which are the subject of the options granted and their respective subscription prices as a result of the rights issue on 21st March, 1990. The table above is stated before these adjustments with the exception of options which were granted subsequent to the rights issue to Mr T. P. Amos to subscribe for 14,020 shares.

Directors' Interests *continued*

There were no contracts of significance subsisting during or at the end of the financial year between any director and the Company or any of its subsidiaries.

Substantial Interests

LMH owns 3,350,330 ordinary shares of 20p each in the Company, representing 2.6% of the total issued ordinary share capital ("the LMH shareholding").

The Company has been notified of the following interests in more than 3% of its Share Capital:-

Shareholders	Percentage of Ordinary Share Capital (excluding the LMH shareholding)
Olympia & York (UK) Limited	9.8%
Ravensale Limited & Associates	7.5%
C.M. Bradman and family interests	6.1%
Government of Kuwait Investment Authority	5.1%
JMB Realty Corporation	5.0%
Robert Fleming Holdings Limited	4.4%
Commercial Union Assurance Company plc	3.6%

Annual General Meeting

Shareholders will be asked at the Annual General Meeting to approve three items of special business. The first is an ordinary resolution which would give the Directors a new authority to issue the whole of the present authorised but unissued share capital, and provide for that authority to remain in force for five years, the previous authority given having expired. The second is a special resolution renewing the power of the directors to allot equity securities for cash not exceeding 5 per cent. of the nominal value of the issued share capital of the Company and also, in the case of rights issues, to allot shares where necessary other than strictly in accordance with the pre-emptive provisions set out in Section 89 of the Companies Act 1985 - for example, where shareholders are registered in foreign jurisdictions which prohibit the shares being offered to those shareholders, to allot their share entitlement to a nominee for sale on their behalf. The power conferred by the special resolution will expire 15 months after the date of the passing of the resolution or at the conclusion of the next Annual General Meeting, whichever first occurs, and it is proposed to renew it each year at the Annual General Meeting.

The third item is an ordinary resolution which will enable the Company to purchase not more than 12,600,000 (1989 – 9,450,000) ordinary shares in its share capital (representing approximately 10 per cent. of the current issued share capital) provided the purchase price per share is within the limits set out in the resolution. The authority conferred by this resolution (which renews the authority which existed at 30th June, 1990) will continue until 31st December, 1991, and again it is proposed to renew it each year at the Annual General Meeting.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Group places great value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. Employees participate extensively in The Rosehaugh PLC 1985 Executive Share Option Scheme.

Auditors

Arthur Andersen & Co. have indicated their willingness to continue in office and a resolution proposing their re-appointment as auditors of the Company will be put to the Annual General Meeting.

Income and Corporation Taxes Act 1988

In the opinion of the directors, the Company is not a close company.

By Order of the Board

C. M. J. Forshaw
Secretary
27th November, 1990

AUDITORS' REPORT

for the year ended 30th June 1990

To the members of Rosehaugh Public Limited Company

We have audited the accounts set out on pages 15 to 40 in accordance with Auditing Standards.

In our opinion, the accounts, which have been prepared in accordance with the accounting policies set out on pages 18 and 19, give a true and fair view of the state of affairs of the Company and of the Group at 30th June, 1990 and of the Group result and source and application of funds for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen & Co.

Arthur Andersen & Co.
Chartered Accountants
London
27th November, 1990.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th June, 1990

	Notes	1990 £'000	1989 £'000
Turnover	1	103,210	131,572
Cost of sales		93,929	100,348
Gross profit	1	9,281	31,224
Share of (loss) income of related companies before exceptional items	12(e)	(13,805)	8,788
Income from other fixed asset investments	2	2,316	977
Interest receivable from related companies		23,505	14,231
Other interest receivable and similar income		6,265	3,301
Gross profit, share of income of related companies before exceptional items, and other income		27,562	58,524
Administrative and staff costs	4	21,977	18,169
Interest payable and similar charges	1	34,139	4,238
		56,116	22,407
(Loss) profit on ordinary activities before exceptional items and taxation	3	(28,554)	36,117
Exceptional items	6	(136,918)	–
(Loss) profit on ordinary activities before taxation		(165,472)	36,117
Taxation credit (charge) on (loss) profit on ordinary activities	8	14,029	(11,032)
(Loss) profit on ordinary activities after taxation	9	(151,443)	25,085
Minority interests		(846)	(2,393)
(Loss) profit for the financial year		(152,289)	22,692
Proposed dividend		–	(1,261)
(Accumulated deficit) retained profit for the financial year	19	(152,289)	21,431
Retained profit, beginning of year	19	83,511	62,913
Transfer from revaluation reserve	19	–	507
Goodwill written off on acquisition	19	–	(1,340)
(Accumulated deficit) retained profit, end of year	19	(68,778)	83,511
(Loss) earnings per ordinary share based on (loss) profit for the financial year	10	*(163.70)p*	*28.23p*
Shareholders' funds per ordinary share	10	*373.5p*	*476.6p*

The accompanying statement of accounting policies and notes are an integral part of this consolidated profit and loss account

BALANCE SHEETS

at 30th June, 1990

	Notes	Group 1990 £'000	Group 1989 £'000	Company 1990 £'000	Company 1989 £'000
Fixed assets					
Land and buildings	11	1,410	1,508	–	–
Investment properties	11	19,200	2,804		
Development properties held for investment	11	2,619	45,387	–	–
Office equipment, vehicles and furniture	11	5,635	5,822	–	–
		28,264	55,521	–	–
Fixed asset investments	12	390,619	317,039	215,481	125,169
		418,883	372,560	215,481	125,169
Current assets					
Investments listed in the UK	12(i)	60	60	–	–
Stocks	13	339,640	304,621	–	–
Debtors	14	126,689	146,107	443,182	384,315
Cash at bank and in hand		7,556	7,214	8,308	5,156
		473,945	458,002	451,490	389,471
Creditors: Amounts falling due within one year	15	(96,962)	(130,340)	(176,620)	(163,008)
Net current assets		376,983	327,662	274,870	226,463
Total assets less current liabilities		795,866	700,222	490,351	351,632
Creditors: Amounts falling due after more than one year	16	(320,940)	(211,500)	(251,000)	(140,000)
Provisions for liabilities and charges	17	–	(9,431)	(14,860)	(16,301)
Net assets		474,926	479,291	221,491	195,331
Capital and reserves					
Called up share capital	18	25,214	12,607	25,214	12,607
Share premium account	19	165,869	53,771	165,869	53,771
Capital reserve	19	89,332	89,332	89,332	89,332
Revaluation reserve	19	259,237	236,864	–	–
(Accumulated deficit) retained profit	19	(68,778)	83,511	(58,924)	39,621
Shareholders' funds		470,874	476,085	221,491	195,331
Minority interests		4,052	3,206	–	–
Total capital employed		474,926	479,291	221,491	195,331

Signed on behalf of the Board

G. M. Bradman } *Directors*
S. Adam

27th November, 1990

The accompanying statement of accounting policies and notes are an integral part of these balance sheets

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 30th June, 1990

	1990 £'000	1989 £'000
Source of funds		
(Loss) profit for the financial year	(152,289)	22,692
Add (deduct) items not involving cash flow during the year:		
Depreciation of fixed assets	1,314	1,095
Write down of fixed assets	3,356	–
Surplus on disposal of fixed assets and fixed asset investments	(1,833)	(1,197)
Loss (profit) retained in related companies	39,602	(5,389)
(Decrease) increase in provision for deferred taxation	(9,431)	4,620
Minority interests in retained profit for year	846	2,393
Other items	(594)	188
Total funds (used by) generated from operations	(119,029)	24,402
Proceeds from issue of ordinary shares	124,705	–
Proceeds from disposal of fixed assets and fixed asset investments	25,327	6,285
Increase in creditors falling due after more than one year	109,440	140,338
	140,443	171,025
Application of funds		
Dividend paid	1,261	1,009
Loans to related companies	78,487	28,183
Additions to fixed assets and fixed asset investments	16,929	26,886
Acquisition of further shares in Applied Property Research Limited	–	88
Acquisition of Riverboat Properties Limited	–	2,613
Increase in net current assets, as shown below	43,766	112,246
	140,443	171,025
Increase (decrease) in net current assets		
Stocks	30,725	131,616
Debtors	(19,418)	30,434
Creditors falling due within one year (other than bank loans and overdrafts, sterling commercial paper and proposed dividend)	9,893	(23,681)
	21,200	138,369
Movement in net liquid funds:		
Cash at bank and in hand	342	(3,523)
Bank loans and overdrafts and sterling commercial paper	22,224	(22,600)
	43,766	112,246

The accompanying statement of accounting policies and notes are an integral part of this consolidated statement of source and application of funds

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies of the Group are as follows:

1. Basis of Consolidated Accounts

The consolidated accounts are prepared under the historical cost convention, as modified by the accounting policies, and include the accounts of the Company and all of its subsidiaries, together with the Group's share of the results of related companies (see accounting policy 7). The accounts of subsidiary companies are all made up to 30th June, 1990. The accounts of related companies are generally made up to 30th June, 1990 and where not, management accounts have been made up to that date. The results of subsidiary companies acquired during the year are included from their date of acquisition. Subsidiaries that were acquired have been recorded on the basis of the acquisition method of accounting, whereby the consideration given and the net assets acquired are recorded at fair value. Any excess of the consideration given over the fair value of the separable net assets acquired is written off to retained profits. Any excess of the fair value of the separable net assets acquired over the fair value of the consideration given is credited to capital reserve.

The Group's interest in the U.S limited partnership, 120 Church Street Associates, is reported on the equity method of accounting in the consolidated accounts (see note 12(v)). Exchange differences arising from the translation of the opening net investment are recorded as movements on the revaluation reserve.

As provided by Section 228 of the Companies Act 1985, no profit and loss account is presented for the Company. The profit or loss of the Company is disclosed in note 9.

2. Turnover

Turnover, which is stated net of VAT, includes the sales of trading stocks of properties, property developments, property rents and fees. Sales of properties are only recognised when contracts have been exchanged during the year.

The sales value and gross profit of property development projects are recognised on the conclusion of a sale agreement and substantial completion of the related building works, except in respect of property development projects extending over two or more accounting periods which are included on a percentage of completion basis when, under the terms of a concluded agreement, the purchaser has acquired or can be required to acquire the development.

Turnover and gross profit exclude sales of residential properties made on the shared equity basis until such time as the whole of the Group's interest in the relevant property is realised.

3. Freehold Land and Buildings

Freehold land and buildings are stated at cost or valuation less depreciation.

Freehold buildings are depreciated in equal annual instalments based on the cost or revalued amount and the estimated useful lives of the assets at rates between 2% and 1% per annum. Depreciation is not provided on freehold land.

4. Investment Properties

Investment properties are subject to annual valuations and are stated at their open market value based on such valuations. Such properties are treated on a pool basis and changes in the value of investment properties are disclosed as movements on revaluation reserve. In accordance with SSAP 19, investment properties, other than leasehold interests with an unexpired term of less than 20 years, are not depreciated; the directors consider that this accounting policy, which represents a departure from the statutory principles, is necessary to provide a true and fair view.

5. Development Properties held for Investment

Development properties held for investment purposes are stated at cost, save that where in the opinion of the directors there has been a permanent diminution in value, the resultant capital loss is provided for. Cost of development properties held for investment includes an allocation of project overheads and interest charges on external borrowings.

6. Office Equipment, Vehicles and Furniture

Office equipment, vehicles and furniture are stated at cost less depreciation, which is calculated to write off the cost, less estimated residual value, on a reducing balance basis at rates between 20% and 25% per annum.

7. Interests in Related Companies

In the accounts of the Group, interests in related companies in which the Group holds 20% or more of the equity voting share capital and has the ability to exercise significant influence are stated on the equity method of accounting whereby the cost of the interest is adjusted for the movement in the underlying net assets applicable to the interest since the date of acquisition, including the Group's share of the revaluation reserves of such related companies. Cost includes administrative expenses relating to related companies.

In the Group accounts, the earnings of related companies are credited to the profit and loss account.

The accounting policies of related companies for the purposes of these accounts are the same as those of the Group in all material respects.

In the Company's accounts the interest in related companies is stated at cost. In the prior year, such interests were stated on the equity method including the Company's share of the revaluation reserves of such related companies. This change in the accounting policy is reflected by the restatement of prior year accounts as shown in notes 12(e) and 19(b).

8. Interests in Subsidiary Companies

In the accounts of the Company, investments in subsidiary companies are stated at cost, save where in the opinion of the directors there has been a permanent diminution in value. In prior years such investments were stated on the equity method whereby the cost of the investments was adjusted for the movement in the undistributed underlying net assets applicable thereto since the date of acquisition, with the corresponding credit to revaluation reserve. This change in accounting policy is reflected by the restatement of prior year amounts as shown in notes 12(d) and 19(b).

Dividends receivable from subsidiary companies are credited to the profit and loss account of the Company.

9. Other Fixed Asset Investments

Other fixed asset investments are stated at the lower of cost or market value, save that where in the opinion of the directors there has been a permanent diminution in value, the resultant loss is provided for. Provisions for temporary fluctuations in value are not made. Income is included (together with any related tax credit) in the accounts of the year in which it is receivable.

10. Stocks

(a) Development work-in-progress

Development work-in-progress includes all costs incurred in bringing property developments to their present state including an allocation of project overheads and is included at cost less foreseeable losses and progress payments received and receivable. Cost includes interest charges on external borrowings, except where the inclusion of such interest would result in cost exceeding net realisable value when such interest is expensed.

Where the sales values and gross profit of property developments are recognised on a percentage of completion basis, the appropriate proportion of costs are transferred to cost of sales.

Costs relating to residential properties sold on a shared equity basis are excluded from development work in progress and reported as a deferred cost.

(b) Propertes held for resale

Properties held for resale are stated at the lower of cost and net realisable value

(c) Provisions

The provisions for the write down of development work-in-progress and properties held for resale included in exceptional items have been arrived at taking into account the estimated realisable value at the assumed date of realisation of each property or site, and the total estimated costs, including interest, to be incurred in respect of each such property or site to the assumed date of realisation.

11. Taxation

Corporation tax payable is provided on taxable profits at the effective rate of corporation tax for the year.

Deferred taxation (which arises from differences in the timing of the recognition of items in the accounts and for tax purposes) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred taxation is not provided on timing differences which will probably not reverse. The amount of all deferred taxation, including that which will probably not reverse, is shown in note 17 to the accounts.

The benefit of tax losses is only recognised to the extent that corporation tax can be recovered and to the extent of the deferred tax balances otherwise provided.

12. Minority Interests

The profit attributable to minority shareholders is reflected in the accounts based on the proportionate interest of those shareholders in the subsidiary company concerned. Where unissued shares are available in subsidiary companies for share options granted or to be granted to employees of those companies, those shares are included as if they were already issued to minority holders for the purpose of the calculation of amounts reflected in the accounts.

Where a loss is attributable to minority shares, such loss has been reflected in the Group's losses.

13. Pensions

The Group operates two defined contribution pension schemes. The amount of contributions payable to the pension schemes are charged to the profit and loss account in respect of the accounting period to which they relate.

14. Revaluation Reserve

In the accounts of the Group the surpluses and deficits determined on a pool basis relating to investment properties and investments in related companies (representing the Group's share of the revaluation reserves of the related companies) are reported in the revaluation reserve.

NOTES TO THE ACCOUNTS

for the year ended 30th June, 1990

1. Contributions to turnover and profit

(a) The contributions to turnover and gross profit before exceptional items by each of the principal activities of the Group were as follows:

	1990		1989	
	Turnover £'000	Gross Profit £'000	Turnover £'000	Gross Profit £'000
Turnover and gross profit:				
Property development and trading	95,686	3,528	125,149	26,720
Property rental	4,819	3,487	2,894	2,491
Fees and other trading income	2,705	2,266	3,529	2,013
	103,210	9,281	131,572	31,224

(b) Gross profit from property rental includes income from investment properties and from properties and developments held for resale and represents turnover (which comprises gross rentals receivable) less rentals payable and other outgoings relating to the properties.

(c) Other than fees of £14,000 (1989 – £16,000) received by a US subsidiary of the Company in connection with the management of the US limited partnership 120 Church Street Associates, all of the Group's turnover arose in the U.K.

2. Income from other fixed asset investments

	1990 £'000	1989 £'000
Dividends and interest from investments listed in the UK	28	29
Deficit on disposal of unlisted investments	(321)	-
Surplus on disposal of listed investments	3	-
Surplus on disposal of investment properties	-	948
Surplus on disposal of development properties held for investment	2,606	-
	2,316	977

3. Administrative and staff costs

	1990 £'000	1989 £'000
Staff costs (see note 7)	10,180	8,678
Other administrative costs	11,797	9,491
	21,977	18,169

Administrative costs are stated after reimbursements from a related company of £2,500,000 (1989 – £2,000,000) and after charging £1,200,000 (1989 – £1,200,000) to investments in related companies (see note 12(e)).

4. Interest payable and similar charges

(a)

	1990 £'000	1989 £'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	39,483	28,254
Repayable after five years, not by instalments	2,044	2,337
	41,527	30,591
Less: amounts charged to development work-in-progress and development properties held for investment	(7,388)	(26,353)
Charged directly to profit and loss account	34,139	4,238
Included in cost of sales	12,499	6,548

(b)

(i) During the year to 30th June, 1990 property transferred from development properties held for investment to investment properties included interest charges amounting to £4,876,000.

(ii) The cost, before provisions, of development work-in-progress, development properties held for investment, land and buildings and investment properties at 30th June, 1990 include interest of £16,409,000 (1989 – £20,157,000), £208,000 (1989 – £6,280,000), £nil (1989 – £167,000) and £4,876,000 (1989 – nil) respectively.

5. (Loss) profit on ordinary activities before exceptional items and taxation

	1990 £'000	1989 £'000
(Loss) profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	440	352
Hire of plant and equipment	184	373
Depreciation and amounts written off office equipment, vehicles and furniture (see note 11)	1,314	1,095
Rentals under operating leases (see note 21)	998	440

6. Exceptional items

	1990 £'000	1989 £'000
Exceptional items comprise the following:		
Subsidiary companies		
– write down of stocks to lower of cost and net realisable value	99,190	–
– write off of costs incurred on discontinued projects	9,639	–
– total write down of stocks	108,829	–
– write down of fixed assets to lower of cost and net realisable value (see note 11(a))	3,356	–
	112,185	–
Group share of related companies		
– write down of stocks to the lower of cost and net realisable value	19,980	–
– write off of costs incurred relating to discontinued projects	4,753	–
	24,733	–
Total of exceptional items	136,918	–

The provisions for the write down of stocks included in exceptional items have been arrived at taking into account the estimated realisable value at the assumed date of realisation of each property or site, and the total estimated costs, including interest, to be incurred in respect of each such property or site to the assumed date of realisation.

7. Staff costs

	1990 £'000	1989 £'000
(a) Particulars of staff costs (including executive directors):		
Wages and salaries	8,619	7,375
Social security costs	930	755
Other pension costs	631	548
	10,180	8,678

The average weekly number of persons employed by the Group during the year was 318 (1989 – 328). At 30th June, 1990 the Group employed 300 persons (1989 – 330).

NOTES TO THE ACCOUNTS

continued

7. Staff costs *continued*

(b) Directors' remuneration

	1990 £'000	1989 £'000
The remuneration of the directors of the Company during the year was as follows:		
Salaries and fees	1,710	1,975
Other emoluments (including pension contributions)	225	196
	1,935	2,171
The directors' remuneration shown above (excluding pension contributions) included:		
Chairman	100	100
Highest paid director	297	439

	1990 Number	1989 Number
Other directors received emoluments (excluding pension contributions) in the following ranges:		
£ 5,001 – £ 10,000	1	1
£110,001 – £115,000	–	1
£120,001 – £125,000	–	1
£125,001 – £130,000	–	2
£130,001 – £135,000	2	2
£135,001 – £140,000	1	1
£145,001 – £150,000	2	–
£155,001 – £160,000	1	–
£165,001 – £170,000	1	–
£170,001 – £175,000	–	1
£175,001 – £180,000	1	–
£185,001 – £190,000	1	–
£435,001 – £440,000	–	1

(c) Pension arrangements

(i) The Group operates two defined contribution pension schemes. The assets of each scheme are held separately from those of the Company in independently administered funds. The pension cost included in staff costs represents contributions payable by the Group to each fund plus the premiums payable to insurance companies to insure the death-in-service benefits. At 30th June, 1990 there were contributions payable of £22,000 which are included in creditors falling due within one year.

(ii) From 1st July, 1990 existing pension arrangements have been modified by the introduction of a final salary formula. Any additional contributions needed to meet pension guarantees will be determined by an actuarial valuation to be performed on 1st July 1991.

8. Taxation on (loss) profit on ordinary activities

	1990 £'000	1989 £'000
The (credit) charge for taxation is based on (loss) profit for the year and comprises:		
U.K. corporation tax at 35% (1989 – 35%)	(3,736)	1,668
Deferred taxation charge arising in the year	11,505	1,021
Deferred tax released arising from trading losses	(21,356)	–
	(13,587)	8,689
Taxation based on share of income of related companies	222	3,399
	(13,365)	12,088
Release of prior year taxation:		
U.K. corporation tax payable	(664)	(725)
Deferred taxation	–	(331)
	(14,029)	11,032

The (credit) charge for taxation has been reduced by £nil (1989 – £691,000) in respect of interest capitalised in development properties held for investment for which current taxation relief is available. Taxation based on the share of income of related companies has also been reduced as a result of capital allowances arising on investment properties and other allowances.

9. (Loss) profit of the Company

The loss on ordinary activities after taxation of the Company was £98,545,000 (1989 – profit of £17,266,000) after crediting dividends receivable from subsidiary companies of £7,166,000 (1989 – £10,460,000).

10. (Loss) earnings per ordinary share

The calculations of (loss) earnings per ordinary share are based on the adjusted weighted average number of ordinary shares in issue during the year of 93,031,166 (1989 – 63,033,640) excluding those shares owned by London Mercantile Holdings Limited (see note 18). Fully diluted (loss) earnings per ordinary share are not materially different.

The calculation of shareholders' funds per ordinary share is based on the number of ordinary shares in issue at the end of the year excluding those shares owned by London Mercantile Holdings Limited.

Earnings per ordinary share and shareholders' funds per ordinary share for the previous year have been restated to reflect the effect of the rights issue in March, 1990.

11. Fixed assets

(a) The movements in the year were as follows:

	Total £'000	Freehold land & buildings £'000	Investment properties £'000	Development properties held for investment £'000	Office equipment vehicles & furniture £'000
Cost or valuation					
Beginning of year	57,105	1,508	2,801	45,387	7,406
Additions	12,513	89	2,417	6,092	3,915
Amounts written off (see note 6)	(3,356)	(167)	(500)	(689)	(2,000)
Disposals	(22,035)	–	–	(20,974)	(1,961)
Transfers to investment properties	–	–	28,097	(28,097)	–
Transfers to properties held for resale	(4,294)	–	(4,294)	–	–
Revaluation deficit (see note 19(a))	(9,324)	–	(9,324)	–	–
End of year	30,609	1,430	19,200	2,619	7,360
Depreciation					
Beginning of year	1,584	–	–	–	1,584
Charge	1,314	20	–	–	1,294
Disposals	(553)	–	–	–	(553)
End of year	2,345	20	–	–	2,325
Net book value					
End of year	28,264	1,410	19,200	2,619	5,035
Beginning of year	55,521	1,508	2,801	45,387	5,822

(b) Freehold land and buildings

Freehold land and buildings are stated in the balance sheet at cost less amounts written off, and include interest charges amounting to nil (1989 – £167,000) on related external borrowings.

(c) Investment properties

The investment property, which is long leasehold, is stated in the balance sheet at its open market value at 30th June, 1990 based on valuations carried out by Grant & Partners, independent professional surveyors and valuers. The deficit at 30th June, 1990 of the value at which the investment property is stated in the balance sheet below its cost to the Group is £8,910,000 (1989 – surplus £444,000). The cost, before provisions, of the investment property includes interest charges of £4,876,000 (1989 – nil).

(d) Development properties held for investment

Development properties held for investment are stated in the balance sheet at cost, less amounts written off, and include (before provisions) interest charges amounting to £208,000 (1989 – £6,280,000) on related external borrowings.

NOTES TO THE ACCOUNTS

continued

12. Fixed asset investments

(a) Fixed asset investments comprise the following:

	Group 1990 £'000	Group 1989 £'000	Company 1990 £'000	Company 1989 £'000
Subsidiary companies (see (b) and (d) below)	–	–	121,852	96,896
Related companies (see (c) and (e) below)	263,962	259,507	7,044	5,044
Loans to related companies (see (e) below)	125,541	47,054	86,352	23,045
Investments listed in the U.K. (see (t) below)	20	73	–	–
Unlisted investments (see (u) below)	696	1,505	233	184
US limited partnership (see (v) below)	400	8,900	–	–
	390,619	317,039	215,481	125,169

(b) Subsidiary companies

The principal subsidiary companies at 30th June, 1990 and their respective principal activities are as follows:

	Principal activities	Fully diluted percentage shareholding held by the Group through: Company	Subsidiaries
Applied Property Research Limited	Property market research	89%	
Baxtergate Investment Co. Limited	Property development and investment	100%	
Cardwool Limited	Property development and investment	85%	
Church Street Realty Co. Inc.	Investment holding	100%	
Copartnership Property Group Limited	Investment holding	100%	
The General Funds Investment Trust PLC	Investment and finance	100%	
GLE-Rosehaugh Developments PLC	Property development and trading	66.7%	
Home for Life (Holdings) Limited	Retirement housing		92.5%
London Mercantile Holdings Limited	Investment holding	100%	
Pelham Homes Limited	Estate development and housebuilding	81%	
Pelham Homes (Whiteley Park) Limited	Estate development and housebuilding		100%
Rosehaugh Arizona Inc.	Investment holding		100%
Rosehaugh Copartnership Investments Limited and its subsidiary:	Property development (central London residential)		90%
Rosehaugh Copartnership Developments Limited			90%
Rosehaugh Developments PLC	Property development and trading	100%	
Rosehaugh Estates PLC and its subsidiary:	Property development and trading		90%
Riverboat Properties Limited (formerly Shorevale Limited)			81%
Rosehaugh Heritage PLC (disposed of after 30th June, 1990)	Property development and trading		85%
Rosehaugh Management Services Limited	Administrative and management services	100%	
Rosehaugh Project Services PLC	Project management and construction services	100%	
Shearwater Property Holdings PLC	Property development (retail)		75%

With the exception of Church Street Realty Co. Inc. and Rosehaugh Arizona Inc. which are incorporated in the USA and operate in the USA the above subsidiary companies are registered in England and during the year operated only in the UK.

12. Fixed asset investments *continued*

(c) Related companies

The principal related companies at 30th June, 1990, all of which are principally engaged in property development and investment and property trading, are as follows:

	Issued share capital (ordinary shares of £1 each)	Percentage shareholding held by the Group through: Company	Subsidiaries
Rosehaugh Stanhope Developments (Holdings) PLC (see (f) below)	1,050,000	50%	
London Regeneration Consortium PLC (see (g) below)	5,820,000	33.3%	
Rosehaugh Greycoat Estates Holdings Limited (see (h) below)	1,111,765	40.3%	
Rosehaugh Associated Ports Developments PLC (see (i) below)	100,000		37.5%
RAPD Horsham Limited (see (j) below)	100		37.5%
Blue Water Park PLC (disposed of after 30th June, 1990, (see (k) below))	50,000	50%	
Chafford Hundred Limited (see (l) below)	10,000 ordinary shares of 10p each		32.4%
	90,000 deferred redeemable preference shares of 10p each		–
Barratt-Rosehaugh Copartnership Limited (see (m) below)	10,000		45%
Rosehaugh Control Properties Limited (see (n) below)	4,000,000	50%	
Rosehaugh SG Limited (see (o) below)	1,000 ordinary shares of £1 each		50%
	8,000 deferred shares £1 each		100%
Park Farm Ashford Limited (see (p) below)	20,000		10.5%
Tarmac Rosehaugh Limited (see (q) below)	100	50%	
Worldsave Limited (see (r) below)	2 ordinary shares of £1 each 2,500,000 deferred ordinary shares of £1 each		50%

The above related companies are registered in England and Wales and operate principally in the UK.

12. Fixed asset investments *continued*

(d) Investment in subsidiary companies

(i) The investment of the Company in its subsidiary companies is represented by:

	1990 £'000	1989 £'000
Cost of shares acquired less amounts written off:		
Beginning of year	109,292	109,252
Shares acquired during the year (see (ii) below)	70,000	6
Movement in exchange rates	(44)	34
Amounts written off	(45,000)	–
	134,248	109,292
Less 3,350,330 ordinary shares of 20p each of the Company held by LMH at date of acquisition (see note 18)	(12,396)	(12,396)
End of year	121,852	96,896
Amounts due from (to) subsidiaries:		
Due from subsidiaries	446,303	323,466
Amounts written off	(68,000)	–
Net amounts due from subsidiaries included in debtors (see note 14)	378,303	323,466
Due to subsidiaries included in creditors falling due within one year (see note 15)	(165,011)	(123,570)
Net amounts due from subsidiaries	213,292	199,896

(ii) During the year the Company subscribed for 40,000,000 10.75% Cumulative Redeemable Preference shares of £1 each at par in Rosehaugh Management Services Limited and 30,000,000 10.75% Cumulative Redeemable Preference shares of £1 each at par in Copartnership Property Group Limited.

(iii) As stated in note 8 of the Statement of Accounting Policies, the Company's interest in subsidiary companies is now reported at cost, save where in the opinion of the Directors there has been a permanent diminution in value. Accordingly, the prior year amount of post acquisition retained profits of £32,321,000 has been restated to reflect this change.

(iv) On 19th September 1990 Rosehaugh Estates PLC acquired the remaining 10% of the issued share capital of Riverboat Properties Limited (formerly Shorevale Limited) for a nominal consideration from Messrs Pelling, Long and Davies, who were directors of Riverboat Properties Limited. At the same time £2,255,000 of 11% unsecured loan stock of Rosehaugh Estates PLC issued to Messrs Pelling, Long and Davies as part of the original consideration for the acquisition of Riverboat Properties Limited was cancelled for a consideration of £828,000, being satisfied by the transfer of properties of approximately equal value. As a result of the acquisition the fully diluted percentage shareholding of Riverboat Properties Limited now held by the Group amounts to 90%.

(v) On 21st September 1990 the Group disposed of the whole of its interest in Rosehaugh Heritage PLC to Chartwell Land Development Limited, a subsidiary of Kingfisher plc. The amount receivable for the disposal was £35.0m, subject to a completion audit, £29.5m of which has been received in cash and £5.5m of which is payable on finalisation of certain matters.

(vi) On 11th October 1990 the Group acquired 2,084 shares in Pelham Homes Limited in which Mr R C Whatman, a director of that company was interested. The consideration for the shares, which represent 3.78% of the fully diluted share capital of Pelham Homes Limited, was £2,111,087 paid in cash, based on a valuation carried out by Arthur Andersen & Co in the manner prescribed in the Articles of Pelham Homes Limited which valued the whole of the fully diluted share capital of that company at £55,914,000. As a result of the acquisition the fully diluted percentage shareholding of Pelham Homes Limited now held by the Group amounts to 87%.

(vii) Agreement has been reached whereby the Group will acquire 10,000 shares in Shearwater Property Holdings Limited from Mr I G S Pearce, a former director of that company. The acquisition of such shares, which represent 20% of the fully diluted share capital of Shearwater will bring the Group's holding to 95%.

12. Fixed asset investments *continued*

(e) The interests of the Group and Company in related companies are represented by:

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Cost of investment				
Beginning of year	13,697	5,102	5,044	1,102
Shares acquired during the year	2,989	7,283	2,000	3,942
Shares disposed of during the year	(329)	(188)	–	–
Administrative and staff costs (see note 3)	1,200	1,200	–	–
End of year	17,557	13,697	7,044	5,044
Share of post-acquisition retained (losses) profits and revenue reserves (see below)	(21,311)	18,261	–	–
Share of revaluation reserves	267,746	227,549	–	–
	263,962	259,507	7,044	5,044
Loans to related companies	125,541	47,054	86,352	23,045
	389,503	306,561	93,396	28,089

Share of losses of related companies amounting to £38,538,000 comprising losses before exceptional items of £13,805,000 (1989 profits – £8,788,000) and exceptional items of £24,733,000 (1989 – nil) has been recognised in the profit and loss account for the year ended 30th June, 1990 together with an associated tax charge of £222,000 (1989 – £3,399,000). These, together with other net adjustments for dividends received and reclassifications of £812,000 (1989 – nil), give rise to a net decrease in share of post-acquisition retained (losses) profits and revenue reserves of £39,602,000 (1989 – increase £5,389,000). The Group's share of the net increase in the revaluation reserves of related companies, namely those of Rosehaugh Stanhope Developments (Holdings) PLC and Rosehaugh Greycoat Estates Holdings Limited, for the year ended 30th June, 1990, together with other adjustments principally arising from changes in the amounts accruing to minorities amounts to £40,197,000 (1989 – £86,622,000) and has been reflected in the carrying value of the Group's investment in related companies.

As stated in note 7 of the Statement of Accounting Policies, the Company's interest in related companies is now reported at cost. Accordingly, the prior year amounts of post acquisition retained profits of £20,231,000 and share of revaluation reserves of £227,488,000 have been restated to reflect this change.

Information relating to the Group's related companies is provided in paragraphs (f) to (s) below

(f) Rosehaugh Stanhope Developments (Holdings) PLC and subsidiaries

(i) The Company and Stanhope Properties PLC ("Stanhope") each own 50% of the issued share capital of Rosehaugh Stanhope Developments (Holdings) PLC ("RSD") which at 30th June, 1990 consisted of 525,000 A ordinary shares of £1 each, and 525,000 B ordinary shares of £1 each, of which 500,000 of each of the A and B ordinary shares are fully paid and 25,000 of each of the A and B ordinary shares are paid up as to 25 pence per share. The A ordinary shares are held by the Company and the B ordinary shares by Stanhope, and rank *pari passu* as regards dividends, distributions and voting. The A ordinary shareholders and the B ordinary shareholders have the right under the Articles of Association of RSD to appoint an equal number of voting and non-voting directors of RSD

12. Fixed asset investments *continued*

(i) Rosehaugh Stanhope Developments (Holdings) PLC and subsidiaries *continued*

(ii) Summarised below are the consolidated profit and loss account and balance sheet of RSD at 30th June, 1990 based upon audited accounts at that date:

	1990 £'000	1989 £'000
Profit and loss account of RSD		
Turnover	67,612	100,597
Cost of sales	8,912	58,213
Gross profit	58,700	42,384
Net interest payable	(85,413)	(32,159)
Other costs	(2,486)	(1,265)
(Loss) profit on ordinary activities before exceptional items and taxation	(29,199)	8,960
Exceptional items	(11,903)	-
(Loss) profit on ordinary activities before taxation	(41,102)	8,960
Taxation	(2)	(38)
(Loss) profit for the financial year	(41,104)	8,922
Retained profit beginning of year	28,485	19,563
(Accumulated deficit) retained profit, end of year	(12,619)	28,485
Balance sheet of RSD		
Investment properties	1,393,177	1,002,500
Development properties held for investment	285,950	301,321
Other fixed assets	1,464	7,846
	1,680,591	1,314,667
Debtors	24,294	32,700
Cash at bank and in hand	85,723	53,314
Amounts falling due to shareholders within one year	(62,703)	(129,783)
Other net current liabilities	(470,504)	(248,959)
Amounts falling due to shareholders after more than one year	(125,000)	-
Other creditors falling due after more than one year	(732,821)	(672,607)
Net assets	399,580	349,332
Called up share capital	1,012	1,012
Revaluation reserve	411,187	319,810
(Accumulated deficit) retained earnings	(12,619)	28,485
Shareholders' funds	399,580	349,307
Minority interests	-	25
Total capital employed	399,580	349,332

12. Fixed asset investments *continued*

(f) Rosehaugh Stanhope Developments (Holdings) PLC and subsidiaries *continued*

(iii) Broadgate properties

RSD is, in association with British Railways Board ("BR"), carrying out a phased development known as Broadgate on a site centred on London's Liverpool Street transport interchange. It is planned that the development will be undertaken in fourteen phases which will provide approximately 3.5 million square feet of net lettable office space together with community facilities, shopping and restaurants.

Phases 1 to 7 and 9 to 11 of the development provide approximately 2.7 million square feet net of offices which were completed at 30th June, 1990. These phases (with the exception of Phase 5 which was pre-sold to the owner/occupier) are substantially let and are classified as investment properties which are stated in the balance sheet of RSD at the aggregate of their open market values for existing use purposes at 30th June, 1990 based on valuations carried out by Debenham Tewson & Chinnocks Limited, International Property Advisers.

The continuing development costs incurred for the later phases are included under development properties held for investment. Phases 8 and 14 totalling approximately 530,000 square feet net are currently under construction. The development of the final two phases, being phases 12 and 13, has not commenced.

(iv) Arrangements with BR relating to Broadgate

RSD and BR had, at 30th June, 1990, completed agreements relating to the drawdown by RSD of the land for Phases 1 to 11 and 14 whereby RSD has acquired the freehold interests for Phases 1 and 2, and leasehold interests (under 999 year leases) for phases 3 to 11 and 14.

Under the agreements, the consideration receivable by BR comprises two elements: an initial purchase price or consideration and a subsequent deferred purchase price. The initial purchase price for Phases 1 to 4 totalling £87.3m has been paid to BR; for subsequent phases the initial consideration is by way of a share of rentals computed under a pre-agreed formula whereby BR receive a fixed minimum share of rental income plus 50% of any remaining rental income after providing an agreed rate of return on development costs to RSD.

The deferred purchase prices and the rent sharing percentages payable or attributable to BR, depend on the interaction of a number of factors, including development costs, rental values and the dates on which BR exercises its rights to the relevant entitlements. The deferred purchase prices applicable to Phases 1 to 4, 6, 7, 9/10 and 11, based on the values agreed with BR in respect of Phases 1 to 4, and based on RSD's carrying values in respect of the later phases at 30th June, 1990, amounted to £164.4m (1989 – £162.8m applicable to Phases 1 to 4, 6 and 9/10).

In relation to each phase there are various dates on which BR can exercise the right to payment of the deferred purchase price. In the case of Phases 1 to 4, BR can call for such payment at any time after the phase becomes 80% let and rent producing but in any event not later than two years after practical completion. In the case of later phases the deferred purchase price is payable two and a half years after practical completion of the relevant phase. In either situation the deferred purchase price for a phase becomes payable on any disposal of that phase. BR has exercised its rights to the relevant entitlements in respect of Phases 1 to 4 and during the year received payments totalling £125.9m (1989 – nil) in respect of Phases 1 to 3.

Once BR has received payment of the deferred purchase price for a phase, it does not participate further in the surplus of that phase.

(v) Ludgate

RSD is undertaking, in conjunction with BR, a major new London office complex of five buildings to provide approximately 600,000 square feet net between Holborn Viaduct and Blackfriars railway stations ("the Ludgate development").

Under the terms of the agreement with BR, RSD is required to meet certain obligations for railway works and the construction of a new station, St. Paul's Thameslink. The station is now in operation and the railway works are substantially complete. BR will grant 999 year leases in respect of each of the five sub-sites to individual phase subsidiary companies of RSD which will develop the five buildings. BR will be entitled to participate in the development surpluses achieved on each of the completed buildings. The development surplus attributable to each completed building will be determined on a date which will occur separately in respect of each building on the earlier of two years after practical completion and such earlier date as BR elect after the building is complete and at least 80% let. BR will participate in such surpluses principally in the form of a share of the rents received subject to a maximum share of 75% in respect of each building, with any excess entitlement being payable in the form of a capital sum.

Terms have recently been agreed with Coopers & Lybrand Deloitte for the pre-letting of approximately 325,000 square feet net of office space comprised in four of the buildings.

(vi) Other RSD projects

Blackwall Yard

RSD owns the freehold of approximately five acres of the seven acre Blackwall Yard site with an extensive south facing River Thames frontage comprising the former Blackwall Ship Repair Yard, substantially the whole of which is in the London Docklands Isle of Dogs Enterprise Zone.

RSD has sold to a subsidiary of Reuters Holdings PLC the first phase of development on the site comprising a purpose designed building of some 295,000 square feet gross and approximately two acres of the site.

The Reuters group has an option in respect of a further phase on the site involving a building of similar size. The option provides for sale and construction on terms which are broadly the same as those for the first phase, subject to escalation provisions in relation to price. The option expires in March 1991.

12. Fixed asset investments *continued*

(f) Rosehaugh Stanhope Developments (Holdings) PLC and subsidiaries *continued*

Brunswick Wharf

RSD owns the whole of the issued share capital of Brunswick Wharf PLC ("Brunswick") having acquired during the year the 50% not previously owned. Brunswick owns the freehold of the site of the former Brunswick Wharf power station, the demolition of which has been completed. The site is located to the north east of the Isle of Dogs, comprises approximately 17 acres overall with an extensive south facing River Thames frontage and is adjacent to the Blackwall Yard site. The site has the potential for a 2.75 million square feet mixed office and residential development.

Earl Place, Appold Street

RSD owns 50% of the issued share capital of Appold Street Developments Limited ("ASD"). The other 50% is owned by P&O Developments Limited. ASD owns a freehold site at Earl Place, Appold Street, London EC2 for the redevelopment of approximately 90,000 square feet net of offices which has been substantially completed.

At 30th June, 1990 development work-in-progress at cost to ASD amounted to £21.5m financed by bank borrowings secured on the development amounting to £20.9m and loans from its shareholders.

(vii) Cash deposits of RSD

In the summary balance sheet of RSD set out in paragraph (ii) above is shown cash at bank and in hand of £85.7m (1989 – £53.3m), which includes deposits totalling £4.0m (1989 – £11.3m) arising from interest accrued to 30th June, 1990 on deposits previously held to meet initial land payments to the British Railways Board ("BR") and which will be released to RSD on payment of the deferred purchase prices due to BR in respect of the relevant Broadgate properties. Also included are deposits totalling £6.1m (1989 – £8.9m) the use of which is restricted to payments relating to Phase 5 of Broadgate. In addition deposit accounts totalling £58.5m (1989 – £19.8m) are restricted to payments to BR and to external funders in respect of the relevant Broadgate properties.

(viii) Creditors of RSD

In the summary balance sheet of RSD set out in paragraph (ii) above are the following items:

(a) Other net current liabilities of £170.5m include bank loans of £225.3m secured on investment properties and drawn down under facilities of up to £300.0m in respect of which the repayment dates may be extended beyond one year at the option of RSD subject to meeting predefined criteria.

Other net current liabilities also include amounts payable to BR in respect of the deferred purchase prices for the Broadgate properties of £12.3m (1989 – £121.8m) which are secured by way of a second charge on the relevant investment properties.

(b) Other creditors falling due after one year of £732.8m represent bank loans drawn under facilities repayable within 2 to 5 years (1989 – £629.7m), all of which relate to the Broadgate development. This amount includes bank loans secured on investment properties of £275.3m (1989 – £162.9m) drawn down under facilities of up to £500.0m in respect of which the repayment dates may be extended beyond five years at the option of RSD subject to meeting predefined criteria.

(c) Amounts falling due to shareholders within one year of £62.7m and after more than one year of £125.0m together with interest accrued on these amounts totalling £61.2m which is included in other net current liabilities are unsecured and carry interest at a commercial rate. The shareholders have agreed between themselves not to demand repayment of these loans other than from surplus funds available to RSD.

RSD has provided security to the lenders for each phase of the Broadgate development by way of a first legal mortgage over the freehold or leasehold interest held by the RSD subsidiary company undertaking the development of the relevant phase. Further security comprises fixed and floating charges over the assets of the relevant subsidiary company.

(g) London Regeneration Consortium PLC

The Group has a one third shareholding in London Regeneration Consortium PLC ("LRC") in which NFC plc and Stanhope Properties PLC also each have a one third interest. LRC has been selected by British Rail, NFC plc and the other landowners as their development partner to undertake the comprehensive development of approximately 130 acres of land to the north of London's Kings Cross and St Pancras railway stations. LRC is progressing an outline town planning application with the London Borough of Camden for a mixed use development with substantial office content. British Rail is seeking to obtain Parliamentary powers for the railway works which they propose to undertake at King's Cross including the second Channel Tunnel terminal. At 30th June 1990 LRC had incurred project costs of £26.6m financed by share capital and loans from its shareholders.

(h) Rosehaugh Greycoat Estates Holdings Limited and subsidiaries

(i) Rosehaugh Greycoat Estates Holdings Limited ("RGE Holdings") and its subsidiaries have completed a phased development on a site at Finsbury Avenue, London EC2. The three phases of the development, which provide in total approximately 420,000 square feet net of offices together with shops, a restaurant and other facilities, are fully let.

(ii) The Company and Greycoat PLC own 80.6% of the issued share capital of RGE Holdings in equal proportions. The issued share capital of Rosehaugh Greycoat Estates PLC ("RGE"), a subsidiary of RGE Holdings and the owner of 1 Finsbury Avenue, the first phase of the development, consists of 1,004,878 9.1% cumulative preference shares and 11,267 ordinary shares all of £1 each fully paid. All of the preference shares and 70% of the ordinary shares are held by RGE Holdings.

12. Fixed asset investments *continued*

(h) Rosehaugh Greycoat Estates Holdings Limited and subsidiaries *continued*

Rosehaugh Greycoat (Phase 2) PLC and Rosehaugh Greycoat (Phase 3) PLC which own 2 and 3 Finsbury Avenue respectively are wholly owned subsidiaries of RGE Holdings.

Summarised below are the consolidated profit and loss account and balance sheet of RGE Holdings at 30th June, 1990 based upon accounts at that date:

	1990 £'000	1989 £'000
Profit and loss account of RGE Holdings		
Property rents	16,491	11,088
Property outgoings and administrative expenses	(933)	(148)
Net interest payable	(8,600)	(7,760)
Minority interests	(1,742)	(291)
Profit for the financial year	5,216	2,589
Retained profit, beginning of year	5,262	2,673
Retained profit, end of year	10,478	5,262
Balance sheet of RGE Holdings		
Investment properties	286,581	297,250
Other net current assets	15,595	7,902
Creditors falling due after more than one year	(85,000)	(83,834)
Net assets	217,176	221,318
Called up share capital	1,112	1,112
Revaluation reserve	164,179	174,829
Retained earnings	10,478	5,262
Shareholders' funds	175,769	181,203
Minority interests	41,407	40,115
Total capital employed	217,176	221,318

Creditors of the RGE Holdings group at 30th June, 1990 falling due after more than one year include the following loans:

	1990 £'000	1989 £'000
Amounts drawn down under bank facilities repayable within 1 to 2 years	30,000	-
Amounts drawn down under bank facilities repayable within 2 to 5 years	15,000	13,834
11% First Mortgage Debenture Stock 2014	40,000	40,000
	85,000	83,834

(iii) 1, 2 and 3 Finsbury Avenue, which are classified as investment properties, are freehold and are stated in the balance sheet of RGE Holdings at the aggregate of their open market values for existing use purposes at 30th June, 1990 based on valuations carried out by Jones Lang Wootton, Chartered Surveyors.

(i) Rosehaugh Associated Ports Developments PLC

(i) Shearwater owns 50% of the issued share capital of Rosehaugh Associated Ports Developments PLC ("RAPD"), the remaining 50% of which is owned by a subsidiary of Associated British Ports Holdings PLC ("ABP"). RAPD is engaged in the development of a waterside site known as Ocean Village of up to 50 acres at Princess Alexandra Dock, Southampton for retail, office, residential and leisure use.

(ii) At 30th June, 1990 properties held for redevelopment and investment at cost of RAPD amounted to £34.0m financed by external bank borrowings secured on the development of £9.7m and loans from the Group and ABP. The Company had guaranteed up to £1.5m of the external bank borrowings.

(j) RAPD Horsham Limited

Shearwater and a subsidiary of ABP also each own 50% of the issued share capital of RAPD Horsham Limited, a company engaged in a town centre retail and office development in Horsham, which has been presold.

12. Fixed asset investments *continued*

(k) Blue Water Park PLC

(i) At 30th June, 1990, the Group and Blue Circle Industries PLC each owned 50% of the issued share capital of Blue Water Park PLC, a company formed to undertake, subject to planning consent, a proposed major out of town shopping and leisure development near Dartford, Kent.

(ii) Since the year end the Group has disposed of its interest in Blue Water Park PLC to Blue Circle Industries PLC.

(l) Chafford Hundred Limited

(i) Pelham Homes Limited holds 40% of the issued share capital of Chafford Hundred Limited ("Chafford"), the remaining shares in which are owned as to 50% by *Blue Circle Industries PLC* and 10% by Pearson PLC. Chafford is engaged in the development of serviced land and housing for a new town of five thousand homes in West Thurrock, Essex.

(ii) *Summarised* below is the balance sheet of Chafford at 30th June, 1990:

	1990 £'000	1989 £'000
Balance sheet of Chafford		
Tangible fixed assets	87	99
Development work-in-progress	74,332	62,109
Other current assets	681	7,162
Creditors falling due within one year	(28,944)	(23,292)
Provisions for deferred tax	(2,979)	–
Creditors falling due after more than one year – bank loans	(13,000)	(13,000)
Net assets	177	3,378
Called up share capital	10	10
Profit and loss account	*167*	3,368
Total capital employed	177	3,378

(m) Barratt-Rosehaugh Copartnership Limited

(i) Rosehaugh *Copartnership* Investments Limited and Barratt East London Limited each own 50% of the issued share capital of Barratt-Rosehaugh Copartnership Limited, a company formed to undertake a proposed residential development at Lavender Wharf, London SE16.

(ii) At 30th June, 1990, development work-in-progress at cost of Barratt-*Rosehaugh Copartnership* Limited amounted to £14.1m financed by external bank borrowings secured on the development amounting to £6.6m, which has been repaid subsequent to the year end, and loans from the Group and Barratt East London Limited.

(n) Rosehaugh Control Properties Limited

(i) The Group and Control Securities *PLC each own 50%* of the issued share capital of Rosehaugh Control Properties Limited, which has acquired properties in Hammersmith, London W14, for investment and development.

(ii) At 30th June, 1990, development properties held for investment at cost before provisions of Rosehaugh Control Properties Limited amounted to £25.4m financed by external bank borrowings secured on the development properties of £14.0m, which has been repaid subsequent to the year end, and loans from the Group and Control Securities PLC.

(o) Rosehaugh SG Limited

(i) The Group and SG Properties Limited, a subsidiary of the Shimizu Corporation of Japan, each own 50% of the issued ordinary share capital of Rosehaugh SG *Limited*, which has completed construction of an office development of 78,000 square feet net in Chiswell Street, London EC1.

(ii) At 30th *June* 1990, development work-in-progress at cost, before provisions, of Rosehaugh SG Limited amounted to £46.4m financed by external bank borrowings secured on the development of £41.9m and loans from its shareholders.

(p) Park Farm Ashford Limited

Pelham Homes Limited and Observatory Gardens Limited, a subsidiary of Mountleigh Group PLC, each own 50% of the issued share capital of Park Farm Ashford Limited, which owns approximately 320 acres of land in Ashford, Kent, with the benefit of outline planning permission for residential and retail use on 220 acres.

(q) Tarmac Rosehaugh Limited

The Group and Tarmac Properties Limited each own 50% of the issued share capital of Tarmac Rosehaugh Limited, which has completed and sold an industrial development at Luton.

12. Fixed asset investments *continued*

(r) Worldsave Limited

(i) The Group and Meritcape Limited each own 50% of the issued share capital of Worldsave Limited which has acquired properties in London E.C.1 for future redevelopment.

(ii) At 30th June, 1990, development work-in-progress at cost, before provisions, of Worldsave Limited amounted to £17.7m financed by share capital and loans from its shareholders.

(s) Belmont Associates

(i) The Group's subsidiary, Rosehaugh Arizona Inc. has a 50% interest in Belmont Associates, a U.S. limited partnership which owns approximately 30,000 acres of land near Phoenix, Arizona with long term residential development potential. The remaining 50% interest is owned by a subsidiary of Mountleigh Group plc. A master planning application has been made in respect of approximately 18,000 acres of the site.

(ii) At 30th June, 1990, unimproved land under development at cost of Belmont Associates amounted to £28.4m financed by loans from the Group and Mountleigh Group plc.

(t) Investments listed in the U.K.

The movements in the year were as follows:

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Cost or valuation				
Beginning of year	133	152	–	–
Disposals	(53)	(19)	–	–
End of year	80	133	–	
Reported in balance sheet as follows:				
Under fixed assets	20	73	–	–
Under current assets	60	60	–	
	80	133	–	–
Market value at end of year	83	135	–	

(u) Unlisted investments

Unlisted investments are stated in the balance sheet at cost and comprise the following:

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Broadsystem Limited	–	953	–	–
Other unlisted investments	696	552	233	181
	696	1,505	233	181

(v) Interest in US limited partnership – 120 Church Street Associates

The Group owns, through its wholly owned U.S. subsidiary Church Street Realty Co. Inc., an interest in a New York limited partnership, 120 Church Street Associates ("the Partnership"). Church Street Realty Co. Inc. is the general partner of the Partnership.

The Partnership owns a freehold office building at 120 Church Street ("the Property") situated in the downtown area of New York City. The Property, which was acquired by the Partnership in January 1981, was constructed in 196[illegible] and provides approximately 406,000 square feet net of offices and is occupied by the U.S. Government.

The Partnership has a non recourse mortgage of $10.0m upon the Property for a term of 10 years from January 1981 ("the Mortgage Loan") with a New York savings bank.

12. Fixed asset investments *continued*

(v) 120 Church Street Associates *continued*

Under the terms of the Partnership agreement the net cash flow of the Partnership from operations for each year after the establishment of reserves at the discretion of the general partner is distributable as follows:

- a cumulative (but non-compounding) preferred return is payable to the limited partners on the capital from time to time contributed by them at a rate of 9.8% per annum;
- then, a cumulative (but non-compounding) subordinated return is payable to the general partner calculated on an amount of \$6.0m at the rate of 9.8% per annum; and
- then, any remaining net cash flow is distributable as to 50% to the general partner and 50% to the limited partners.

On any sale of the Property the Partnership will be dissolved and terminated and, in general terms, after payment to the limited partners of an amount equal to their unrecovered capital and any uncleared arrears of their preferred return, the general partner will receive out of surplus net assets an amount of \$6.0m together with any unpaid arrears of its subordinated return plus 52.5% of any remaining balance.

Summarised below is a balance sheet of the Partnership at 30th June, 1990 based upon Group management accounts which have been translated into sterling at the closing exchange rate ruling at that date:

	1990 £'000	1989 £'000
Property at 120 Church Street, New York, at valuation	24,076	40,026
Net current assets	1,893	2,468
	25,969	42,494
Mortgage Loan	(22,314)	(25,607)
Net assets of the Partnership	3,655	16,887
Represented by:		
Partners' capital contributions		
Limited partners	3,439	3,873
General partner (U.S.\$100)	–	–
Revaluation reserve	–	10,708
Accumulated profits and movements in exchange rates	216	2,306
Total partners' capital	3,655	16,887

The Property is included in the above balance sheet based on a revaluation at 30th June, 1990 by Wm. A. White/Grubb & Ellis Inc., New York Real Estate Appraisers. The Group's share of net assets (including the Property at valuation) of the Partnership, amounting to £0.4m (1989 – £8.9m), is included in fixed asset investments.

13. Stocks

(a) Stocks of the Group contain development work-in-progress and properties held for resale, and comprise:

Division	1990 £'000	1989 £'000
Residential	120,828	126,701
Commercial	130,961	101,557
Retail	87,851	73,363
	339,640	301,621

(b) The cost, before provisions, of development work-in-progress includes interest charges amounting to £16,109,000 (1989 – £20,157,000) on related external borrowings.

(c) The Company had no stocks at 30th June, 1990 (1989 – nil).

14. Debtors

(a) The following amounts are included in debtors:

	Group		Company	
Amounts falling due within one year:	1990	1989	1990	1989
	£'000	£'000	£'000	£'000
Trade debtors due under contracts of sale	29,081	71,416	–	–
Other trade debtors	335	835	–	–
Finance lease receivables	118	118	–	–
Other debtors (see (b) below)	56,037	21,132	39,362	20,718
Prepayments and accrued income	3,186	1,452	108	116
VAT recoverable	2,395	2,764	–	2
Taxation recoverable	2,327	755	385	388
Due from related companies	28,937	44,305	25,024	39,595
Due from subsidiaries (see note 12(d))	–	–	378,303	323,466
	122,416	146,107	443,182	384,315
Amounts falling due after more than one year:				
Trade debtors due under contracts of sale relating to shared equity sales	4,273	–	–	–
	126,689	146,107	443,182	384,315

(b) Other debtors of the Group include interest accrued on loans to related companies of £30,214,000 (1989 – £23,012,000). Other debtors of the Company include interest accrued on loans to related companies of £39,345,000 (1989 – £20,655,000).

15. Creditors: amounts falling due within one year

(a) The following amounts are included in creditors falling due within one year:

	Group		Company	
	1990	1989	1990	1989
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see (b) below)	35,277	24,801	5,000	–
Sterling commercial paper	–	32,700	–	32,700
Trade creditors	23,501	24,930	–	–
Accruals and deferred income	33,629	42,510	2,764	810
UK corporation tax payable	–	9,134	–	1
Advance corporation tax payable	2,248	120	1,845	112
Social security and PAYE	207	661	–	–
Proposed dividend	–	1,261	–	1,328
VAT payable	–	–	–	234
Due to related companies	2,000	3,924	2,000	3,923
Due to subsidiaries (see note 12(d))	–	–	165,011	123,570
	96,962	140,340	176,620	163,008

15. Creditors: amounts falling due within one year *continued*

(b) Bank loans and overdrafts comprise:

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Bank loans and overdrafts				
Secured on development work-in-progress and properties held for resale (see (c) below)	30,277	23,500	–	–
Unsecured	5,000	1,301	5,000	–
	35,277	24,801	5,000	–

(c) Bank loans and overdrafts shown above include amounts drawn under facilities secured on development work-in-progress and properties held for resale, which are repayable at maturity of the facilities or the earlier sale of the development property.

(d) The Company has guaranteed the repayment of £29,795,000 (1989 – £23,400,000) of the above Group borrowings.

16. Creditors: amounts falling due after more than one year

(a) The following amounts are included in creditors falling due after more than one year:

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Bank and other loans	320,940	211,500	254,000	140,000
Deferred income in connection with shared equity sales (see (f) below)	–	–	–	–
	320,940	211,500	254,000	140,000

(b) Bank and other loans shown above can be designated as follows:

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Bank loans				
Secured on investment properties	19,500		–	–
Secured on development properties held for investment	–	19,500	–	–
Secured on development work-in-progress	34,440	17,000	12,000	–
Unsecured	267,000	140,000	242,000	140,000
Other loan				
Unsecured	–	35,000	–	–
	320,940	211,500	254,000	140,000

(c) The above amounts are due for repayment, not by instalments, as follows:

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Between 1 and 2 years	52,440	47,000	84,000	–
Between 2 and 5 years	243,500	140,000	170,000	140,000
Later than 5 years	25,000	24,500	–	–
	320,940	211,500	254,000	140,000

16. Creditors: amounts falling due after more than one year *continued*

(d) Unsecured bank loans repayable between 2 and 5 years are short term drawings under revolving facilities expiring between March 1993 and April 1995.

(e) The company has guaranteed the repayment of £11,940,000 (1989 – £66,500,000) of the above Group borrowings.

(f) Deferred income in respect of shared equity sales comprises turnover of £17,092,000 (1989 – £nil) and deferred cost of sales of the same amount (1989 – £nil) which will be released to the profit and loss account when the whole of the Group's interest in the property is realised.

17. Provisions for liabilities and charges

Provisions for deferred taxation

(a) Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred taxation is not provided on timing differences which will probably not reverse.

(b) The amount of deferred taxation provided is attributable to:

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £000
Accelerated capital allowances	44	586	–	–
Interest and other timing differences	21,312	9,265	28,160	16,743
Advance corporation tax recoverable	–	(420)	–	(442)
Taxation losses	(21,356)	–	(13,300)	–
	–	9,431	14,860	16,301

(c) The movements in provisions for deferred taxation were as follows:

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £000
Beginning of year	9,431	4,811	16,301	5,378
Charge to profit and loss account relating to increase in timing differences	11,505	4,021	11,859	11,029
Release of current and prior year deferred taxation arising from trading losses	(21,356)	(331)	(13,300)	–
Transferred from UK corporation tax payable	420	1,014	–	–
Advance corporation tax recoverable	–	(84)	–	(106)
	–	9,431	14,860	16,301

(d) Deferred taxation arising on all temporary timing differences has been provided. The full potential amount of deferred taxation in respect of accelerated capital allowances and interest capitalised which are not expected to reverse is £10,161,000 (1989 – £10,312,000).

(e) The full potential amount of taxation not provided in the accounts which is attributable to unrealised valuation surpluses recorded by the Group in respect of its related companies Rosehaugh Stanhope Developments (Holdings) PLC and Rosehaugh Greycoat Estates Holdings Limited and the US limited partnership 120 Church Street Associates amounts to £63m (1989 – £76m).

NOTES TO THE ACCOUNTS

continued

18. Share capital

The authorised and issued share capital of the Company comprise:

	1990 £'000	1989 £'000
Authorised		
177,456,661 (1989 – 89,283,259) ordinary shares of 20p each	35,491	17,857
Allotted, called up and fully paid:		
129,421,842 (1989 – 66,383,970) ordinary shares of 20p each	25,884	13,277
Total in issue	25,884	13,277
Less: 3,350,330 ordinary shares of 20p each owned by LMH (see (b) below)	(670)	(670)
Total in issue excluding the LMH shareholding, being 126,071,512 (1989 – 63,033,640) ordinary shares of 20p each	25,214	12,607

(a) On 23rd February, 1990 the authorised share capital of the Company was increased from £17,856,652 to £35,491,332 by the creation of 88,173,402 ordinary shares of 20p each.

On 21st March, 1990 the issued share capital of the Company was increased by the allotment of 63,035,756 new ordinary shares at 20p each by way of a rights issue on the basis of one new ordinary share at a price of 200p for each existing ordinary share.

(b) LMH, a wholly owned subsidiary of the Company, owns 3,350,330 ordinary shares of 20p each in the Company ("the LMH shareholding") representing 2.6% of the total issued ordinary share capital. Provided that the agreement of the Inland Revenue can be obtained to the cancellation of the LMH shareholding without giving rise to a tax liability, arrangements will be made for these shares to be cancelled. Pending cancellation, the LMH shareholding has been treated as a deduction from capital and reserves (see note 19) and will continue to be so treated if it cannot be cancelled. In any event the voting rights attaching to these shares will not be exercised without prior approval of shareholders in general meeting and it is intended that, in the absence of any adverse tax consequences, the shares will be disenfranchised and removed from The Stock Exchange Official List.

(c) In accordance with the provisions of The Rosehaugh PLC 1985 Executive Share Option Scheme ("the Scheme"), the Company has granted options to directors and other employees as follows:

Date of grant of options	Number of ordinary shares of 20p each	Subscription Price
21st January, 1986	189,522	335p
23rd May, 1986	238,293	524p
18th December, 1986	171,575	595p
29th May, 1987	178,329	859p
9th December, 1987	511,935	403p
26th May, 1988	118,710	723p
9th December, 1988	106,532	609p
6th June, 1989	715,719	611p
2nd January, 1990	677,835	465p
	3,208,150	
6th June, 1990	616,762	211p

Of the total numbers of shares over which options have been granted, 213,933 have lapsed and 2,416 have been exercised.

No consideration was paid for the grant of these options which are normally exercisable not earlier than three years and in any event not later than ten years from the date of grant of the options. In accordance with the rules of the Scheme, application has been made to the Inland Revenue to adjust the number of shares which are the subject of the options granted and their respective subscription prices as a result of the rights issue on 21st March, 1990. The table above is stated before these adjustments with the exception of options granted on 6th June, 1990, which were granted subsequent to the Rights Issue.

18. Share capital *continued*

(d) Directors of the Company also have the following interests in the share capital of subsidiaries of the Company.

Mr A. Ashenden has been granted, in accordance with the provisions of The Rosehaugh Estates PLC 1987 Executive Share Option Scheme, an option to subscribe for 4,167 ordinary shares of £1 each in the Company's subsidiary Rosehaugh Estates PLC (representing 7.5% of the fully diluted issued share capital of that company). No consideration was paid for the grant of the option, which is exercisable during the period of seven years commencing on 24th May, 1991.

Mr R. A. Green has been granted, in accordance with the provisions of The Pelham Homes Limited 1987 Executive Share Option Scheme, an option to subscribe for 3,334 ordinary shares of £1 each in the Company's subsidiary Pelham Homes Limited (representing 6.0% of the fully diluted issued share capital of that company). No consideration was paid for the grant of the option, which is exercisable during the period of seven years commencing on 18th December 1990. In addition Mr Green holds 833 ordinary shares in Pelham Homes Limited (representing 1.5% of the fully diluted issued share capital of that company).

Mr I. M. Rowberry, who was a director of the Company throughout the financial year, has been granted, in accordance with the provisions of The Rosehaugh Copartnership Investments Limited 1985 Executive Share Option Scheme, an option to subscribe for 750 ordinary shares of £1 each in the Company's subsidiary Rosehaugh Copartnership Investments Limited (representing 7.5% of the fully diluted issued share capital of that company). No consideration was paid for the grant of the option, which is exercisable, in respect of 730 ordinary shares, during the period of seven years commencing on 22nd April, 1989 and in respect of 20 ordinary shares, during the period of seven years commencing on 16th January, 1991.

19. Reserves

The movements in reserves during the year were as follows:

(a) Group

	Total £'000	Share premium £'000	Capital reserve £'000	Revaluation reserve £'000	Retained profits (losses) £'000
Beginning of year	475,201	65,497	89,332	236,861	83,511
Less: Share premium arising on issue of ordinary shares for acquisition of LMH (see note 18(b))	(11,726)	(11,726)	–	–	–
As previously reported	463,478	53,771	89,332	236,861	83,511
Deficit arising on revaluation of investment properties (see note 11(a))	(9,324)	–	–	(9,321)	–
Premium on issue of ordinary shares	113,475	113,475	–	–	–
Costs of rights issue	(1,377)	(1,377)	–	–	–
Deficit arising on revaluation of investment in US limited partnership (see note 12(c))	(8,500)	–	–	(8,500)	–
Surplus arising on revaluation of investments in related companies (see note 12(e))	53,163	–		53,163	–
Deficit arising on revaluation of investments in related companies (see note 12(e))	(12,966)			(12,966)	
(Loss) for the financial year	(152,289)	–		–	(152,289)
	445,660	165,869	89,332	259,237	(68,778)

19. Reserves *continued*

(b) Company

	Total £'000	Share *premium* £'000	Capital *reserve* £'000	Revaluation *reserve* £'000	Retained profits *(deficit)* £'000
Beginning of year	475,204	65,497	89,332	280,039	40,336
Less: Share premium arising on issue of ordinary shares for acquisition of LMH	(11,726)	(11,726)	–	–	–
As previously reported	463,478	53,771	89,332	280,039	40,336
Less: Company's share of the undistributed profits of subsidiaries and related companies to give effect to changes in accounting policies	(280,754)	–	–	(280,039)	(715)
As adjusted	182,724	53,771	89,332	–	39,621
Premium on issue of shares	113,475	113,475	–	–	–
Costs of rights issue	(1,377)	(1,377)	–	–	–
Loss of the Company (including dividends from subsidiaries)	(98,545)	–	–	–	(98,545)
	196,277	165,869	89,332	–	(58,924)

20. Contingent liabilities and commitments

(a) At 30th June, 1990 the Company had guaranteed certain bank loans and overdrafts of subsidiaries: as set out in notes 15 and 16, the aggregate amount drawn down at 30th June, 1990 under these bank loans and overdrafts amounted to £71,735,000 (1989 – £89,900,000).

(b) At 30th June, 1990 the Company had provided guarantees to a bank of £4.5m in respect of bank loans to the associated company Rosehaugh Associated Ports Developments PLC as set out in notes 12(i)(ii).

(c) The full potential amount of taxation not provided attributable to the Group's interests in investment properties and related companies is referred to in note 17(d) and (e).

21. Capital and other commitments

(a) The Company, and each of the other shareholders of London Regeneration Consortium PLC ("LRC") (see note 12(g)), has undertaken to provide funds to LRC of up to £25m, inclusive of share capital and loans previously advanced, insofar as such advances are required to meet approved expenditure.

(b) During the year, the Group granted a long leasehold of its premises at 9, Marylebone Lane, London W1 which it has leased back under a twenty five year lease and has a number of other leases in respect of office premises. Rentals payable under these leases are subject to renegotiation every five years. The minimum annual rentals under the foregoing leases are as follows:

	Group 1990 £'000	Group 1989 £'000
Operating leases which expire after five years	2,194	1,712

(c) The articles of Pelham Homes Limited, Rosehaugh Estates Limited and Rosehaugh Copartnership Investments Limited provide rights for minority shareholders of those companies, including holders of shares as a result of the exercise of share options granted to executives of those companies, to require the Company to purchase such shares within given dates by reference to independent post-tax valuations of those companies.

Other than the above and the continued development of investment properties by the Group and by the related companies, principally Rosehaugh Stanhope Developments (Holdings) PLC, there were no material capital commitments at 30th June, 1990.

22. Subsequent events

Events subsequent to 30th June, 1990 relating to the acquisition and disposal of shares in subsidiary companies are detailed in note 12(d).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-first Annual General Meeting of Rosehaugh Public Limited Company will be held at The Drawing Room, Claridges, Brook Street, London W1A 2JQ on Friday, 21st December, 1990 at 9.15am for the following purposes:

Ordinary business

1. To receive the directors' report and accounts for the year ended 30th June, 1990.

2. To re-appoint Arthur Andersen & Co. as auditors and to authorise the directors to fix their remuneration.

Special business

3. To consider, and if thought fit, pass the following ordinary resolution:

Ordinary Resolution

THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of that Section) up to an aggregate nominal amount of £9,606,000 for a period expiring (unless previously renewed varied or revoked by the Company in general meeting) five years after the date of the passing of this resolution and to make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement.

4. To consider and if thought fit, pass the following special resolution:

Special Resolution

THAT, subject to the passing of resolution 3, the Directors be and are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company pursuant to the authority conferred by resolution 3 as if Section 89(1) of the Act did not apply to such allotment provided that this power:

(a) shall expire fifteen months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, save that the Company may make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement; and

(b) shall be limited to:

(i) allotments of equity securities in connection with a rights issue to holders of ordinary shares made in proportion (as nearly as may be) to their holdings of ordinary shares at the relevant time but subject to the Directors having a right to make such exclusions or other arrangements in connection with such rights issue as they deem necessary or expedient:

(a) to deal with equity securities representing fractional entitlements; and

(b) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and

(ii) other allotments of equity securities for cash up to an aggregate nominal amount of £1,260,715

5. To consider, and if thought fit, pass the following ordinary resolution:

Ordinary Resolution

THAT the Company be and is hereby authorised pursuant to Article 3 of the Articles of Association of the Company and Section 166 of the Companies Act 1985 to purchase on or before 31st December, 1991 not more than 12,600,000 ordinary shares of 20p each in its share capital at a price per share which is not more than 5 per cent. above the average of the middle market quotations for shares of the same class derived from The Stock Exchange Official List for the ten dealing days immediately prior to the date of purchase of such shares nor less than the nominal value of the shares of 20p per share: provided that the Company may make a purchase of such ordinary shares as aforesaid after such date if the contract for purchase for the same was entered into before such date.

By Order of the Board

C. M. J. Forshaw
Secretary
Registered office: 9 Marylebone Lane, London W1M 5FB
27th November, 1990

Notes

(a) A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend, and, on a poll, to vote in his or her stead. A proxy need not be a member of the Company.

(b) Forms of proxy are provided and, to be valid, must be lodged with the Company's registrars, Lloyds Bank Plc, Registrars Department, Goring-by-Sea, Worthing, West Sussex BN12 4ZZ, not later than 48 hours before the time for holding the meeting.

(c) There will be available for inspection at the registered office during normal business hours from the date of this notice until the date of the Annual General Meeting, and at the place of the meeting for 15 minutes prior to and during the meeting, the following:

(i) the register of directors' interests in shares of the Company kept in accordance with Section 325 of the Companies Act 1985;

(ii) copies of contracts of service between the directors and the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company without compensation within one year); and

(iii) a copy of the Memorandum and Articles of Association of the Company.

STATEMENT OF COMPARATIVE ASSETS AND EARNINGS FOR THE PAST FIVE YEARS

	Years ended 30th June				
	1986 £'000	1987 £'000	1988 £'000	1989 £'000	1990 £'000
Fixed assets					
Land and buildings	–	–	–	1,508	1,410
Investment properties	7,656	8,007	4,057	2,804	19,200
Development properties held for investment	1,346	25,993	36,916	45,387	2,619
Office equipment, vehicles and furniture	861	1,370	2,145	5,822	5,035
Fixed asset investments	37,729	122,478	186,286	317,039	390,619
	47,592	157,848	229,404	372,560	418,883
Net current assets	74,063	140,666	214,264	327,662	376,983
Total assets less current liabilities	121,655	298,514	443,668	700,222	795,866
Creditors falling due after more than one year	(2,850)	(23,750)	(71,090)	(211,500)	(320,940)
Provisions for deferred taxation	(2,591)	(9,835)	(4,811)	(9,431)	–
Net assets	116,214	264,929	367,767	479,291	474,926
Minority interests	(156)	(253)	(809)	(3,206)	(4,052)
Shareholders' funds	116,058	264,676	366,958	476,085	470,874
Shareholders' funds per ordinary share notes (c) and (d)	*214.7p*	*312.6p*	*390.0p*	*476.6p*	*373.5p*
Profit (loss) on ordinary activities before taxation	6,588	15,118	30,377	36,117	(165,472)
Taxation credit (charge) on profit (loss) on ordinary activities	(2,300)	(4,978)	(1,400)	(11,032)	14,029
Profit (loss) on ordinary activities after taxation	4,288	10,140	28,977	25,085	(151,443)
Minority interests	79	110	556	2,393	846
Profit (loss) for the financial year after taxation *note (a)*	4,209	10,030	28,421	22,692	(152,289)
Dividend *note (b)*	488	767	1,009	1,261	–
Retained profit (accumulated deficit) for the financial year	3,721	9,263	27,412	21,431	(152,289)
Earnings (loss) per ordinary share notes (c) and (d)	*8.21p*	*15.28p*	*35.71p*	*28.23p*	*(163.70)p*
Dividend per ordinary share note (d)	*0.78p*	*0.98p*	*1.25p*	*1.57p*	*nil*

Notes

(a) Profit (loss) for the financial year after taxation comprises the profit (loss) of the Company and its subsidiaries and the Group's share of profits and losses of related companies.

(b) Dividends are stated net of the associated tax credits.

(c) The calculation of earnings (loss) per ordinary share is based on profit (loss) for the financial year and the weighted average number of ordinary shares in issue during each year. The calculation of earnings per ordinary share and shareholders' funds per ordinary share exclude those shares owned by the Group as a result of the acquisition of London Mercantile Holdings Limited in November 1987.

(d) To provide comparability on a consistent basis over the five year term the expressions per share reported above have been adjusted where necessary to reflect subsequent subdivisions, consolidations, bonus issues and rights issues.