

ROSEHAUGH PUBLIC LIMITED COMPANY

53-55 Queen Anne Street London W1M 0AJ

Telephone 01-486 7100 Telex 28167

Fax (Group 3) 01-935 0277

Our Ref: AGM/LN/IRP/A

3rd February, 1988

The Registrar of Companies,
Companies House,
Crown Way,
Maindy,
Cardiff,
Wales CF4 3UZ.

Dear Sir,

I enclose herewith a signed copy of the accounts of the Company for the year ended 30th June, 1987.

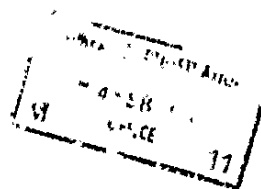
I should be obliged if you would stamp and return the enclosed copy of this letter in the envelope provided by way of acknowledgement of receipt of the said document.

Yours faithfully,
For Rosehaugh PLC



A. G. Morkel

Enc.



Directors: G M Bradnam FCA (Chairman), S Adam FCA, A Ashenden BSc FRP, S
R A Green MB, A J Goss, R C Howson LLB, T J Nardolich OBE BSc FRICS, I M Rowland BSc FRICS
Registered Office: 53-55 Queen Anne Street London W1M 0AJ Registered in England number 106387

ROSEHAUGH

Public Limited Company

Report and Accounts
for the year ended 30th June, 1987

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Rosehaugh Public Limited Company

Report and Accounts for the year ended 30th June, 1987

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Rosehaugh Public Limited Company

Directors

G M Bradman, F C A (Chairman)
S Adam, F C A
A Ashenden, B Sc., F R I C S
A J Clay
R A Green, A I B
R C Howson, LL B
T J Nardecchia, O B E, B Sc., F R I C S (non executive)
I M Rowberry, B Sc., F R I C S

Secretary

C M J Forshaw, F C A

Registered office

53-55 Queen Anne Street
London W1M 0LJ

Principal bankers

Barclays Bank PLC
Royal Bank of Scotland plc
National Westminster Bank Group

Stockbrokers

Rowe & Pitman Ltd.
Finsbury Avenue
London EC2M 2PA

Merchant bankers

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

S. G. Warburg & Co. Ltd
33 King William Street
London EC4R 9AS

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

Notice of Annual General Meeting

Rosehaugh Public Limited Company

Notice is hereby given that the sixty eighth Annual General Meeting of Rosehaugh Public Limited Company will be held at The Drawing Room, Clardges, Brook Street, London W1A 2JL, on Friday 11th December, 1987 at 10.00 am for the following purposes

Ordinary business

1. To receive the directors' report and accounts for the year ended 30th June, 1987
2. To declare a dividend of 1.25p per ordinary share.
3. To re-appoint Messrs. Arthur Andersen & Co. as auditors and to authorise the directors to fix their remuneration.
4. To re-appoint Mr. A. J. Gay as a director.

Special business

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

Special resolution

THAT the powers conferred on the directors by the special resolution passed at the Annual General Meeting of the Company held on 5th December, 1986 to allot equity securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment be and it is hereby revoked and that in lieu thereof:

- (A) The directors shall be empowered for a period expiring on 31st December, 1988 to allot equity securities (within the meaning of Section 94(2) of the Companies Act 1985 ("the Act")) of the Company pursuant to the authorities conferred by the ordinary resolution numbered 4 passed as special business at the Annual General Meeting of the Company held on 28th November, 1985 and the ordinary resolutions passed at the Extraordinary General Meetings held on 9th May, 1986 and 3rd April, 1987 as if Section 89(1) of the Act did not apply to such allotment, and the directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power; provided that such power shall, subject as aforesaid, cease to have effect when either of the said authorities is revoked or would if not renewed expire, but if those authorities are renewed, the said power may also be renewed, for a period not longer than that for which the authorities are renewed, by a special resolution of the Company passed in general meeting.
- (B) The power contained in paragraph (A) of this resolution shall be limited:
 - (i) to allotments in connection with a rights issue to shareholders of equity securities in proportion (as nearly as may be) to their shareholdings but on terms that the directors shall have the right:-
 - (a) if, in the opinion of the directors, it would at the time of the offer be illegal (by relevant law) or unduly costly or burdensome for the Company to make, to shareholders who are citizens of or resident in any overseas territory, or for those shareholders to accept, an offer of equity securities of the Company, to sell the equity securities to which those shareholders would otherwise be entitled for the benefit of those shareholders save that the sale proceeds (net of expenses) of £2 or less due to any such shareholder may be retained for the benefit of the Company, and

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Special resolution (continued)

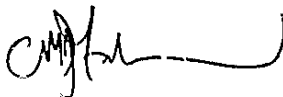
5. (b) (i) to aggregate and sell for the benefit of the Company all fractions of a share which may arise in apportioning the equity securities among the original shareholders,
- (ii) as regards other allotments of equity securities for cash, to allotments in the aggregate of, or involving, equity securities not exceeding in nominal value five per cent of the nominal value of the issued share capital of the Company shown in the Company's audited balance sheet as at 30th June, 1987
6. 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, 1988 not more than 8,950,000 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 or purchase for the same was entered into before such date.

By Order of the Board

C M J. Forshaw
Secretary



Registered office,
53-55 Queen Anne Street
London W1M 0LJ

17th November, 1987

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 the resolutions passed by the Company on 28th November, 1986, 19th May 1987 and 3rd April 1987 referred to in the special resolution in the notice above,
 - (iii) proposed contracts of service between the directors and the Company or any of its subsidiaries and to their office to expiring or determinable by the Company without compensation within a year, and
 - (iv) a copy of the Memorandum and Articles of Association of the Company.

Chairman's statement

Roschaugh Public Limited Company

Your Group has enjoyed another year of significant progress, with reported results showing material asset growth and increase in profits. The levels of activity in the Group's subsidiaries and associates have continued to increase, and the successful acquisition during the year of The General Funds Investment Trust Plc has expanded the financial base of the Group to allow further flexibility in financing and structuring its development and investment programme.

The profit on ordinary activities before taxation for the year ended 30th June, 1987 amounted to £15.12m (1986 £6.59m). Your Board is recommending that the dividend for the year be increased to 1.25p net per share as compared with 1.00p for the previous year. The profit on ordinary activities for the year has been achieved as a result of increased contributions to profits by subsidiaries and associates, increased interest receivable, and after a higher level of administrative and staff costs arising from the continued growth of the Group.

Reported net assets of the Group have increased from £116.2m to £264.9m during the year. The valuation, for the first time, of the initial two phases of the Broadgate development and the second phase of the Finsbury Avenue development, gave rise to revaluation surpluses of £84.8m and £24.7m respectively, of which a total of £52.3m is attributable to the Group. The acquisition of The General Funds Investment Trust Plc referred to above added £81.6m to the capital base of the Group and provided net proceeds of that amount.

The Group is active in many areas of the property market. In addition to major London office development, subsidiaries are engaged in town centre and out of town retail development, house building, property trading, provincial office and commercial development, and high quality residential development in London. These activities continued to make good progress during the year and the principal subsidiaries are referred to below.

Shearwater Property Holdings, the managing director of which is Ian Pearce, is developing a number of town centre and out of town retail schemes. Developments at Eastleigh and Kendal are currently under construction, and a joint company with Associated British Ports is undertaking a mixed retail and office development at Southampton known as Ocean Village. Shearwater is also involved in associated companies with Blue Circle Industries for the proposed development of approximately 200 acres of land near Dartford as a major out of town shopping and leisure development; with Next, the retailing group; and with Stanley Miller Holdings for a proposed retail development in Newcastle. Shearwater has also entered into an agreement with Woolworth Holdings for the redevelopment of a number of its stores.

Pelham Homes, under the managing directorship of Ray Whatman, continued to show increased profits from house sales during the year and has acquired a number of sites for an active on-going programme. Pelham currently has material land interests for future development in Norfolk, Hampshire, Surrey, Essex and Kent.

Craftsmoother, another subsidiary of the Group, owns approximately 170 acres of land at Whiteley in Hampshire, which is now zoned for residential development following the adoption of both the South Hampshire Structure Plan Alterations and the Whiteley Local Plan. It is expected that the net developable area will be approximately 120 acres and that development will commence next year.

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Rosehaugh Estates, the managing director of which is Andrew Ashenden, is engaged principally in provincial commercial development, has enjoyed an increasingly active year and has now moved to new offices in Windsor. Rosehaugh Estates is currently undertaking a number of commercial and mixed developments. In addition, Rosehaugh Estates is managing the development of Crusader House, London EC3, an office development of approximately 105,000 square feet net owned by Hartstreet Properties, whose shareholders are Rosehaugh, George Wimpey and Haslemere Estates.

Rosehaugh Copartnership, where Ian Rowberry is the managing director, has contributed to reported profits from its continuing programme of London residential development. The current development programme of eleven substantial projects includes three properties in London's Docklands, two of which are currently under construction as residential accommodation.

Rosehaugh Heritage, the managing director of which is Stephen Green, is principally engaged in office and retail development in the West Country, has enjoyed a good first year of operation and is undertaking a number of development opportunities. Rosehaugh Heritage has been selected by Torbay Borough Council as developer for a significant town centre retail scheme at Torquay, where work on site commenced earlier this year.

Construction is continuing on the Group's office development known as South Quay Plaza Phase 2, which will provide approximately 143,000 square feet net of offices in the London Docklands Isle of Dogs Enterprise Zone and is due for completion next year. The Group has, through subsidiaries and associates, also acquired other sites in London for future development.

During the year the activities of Rosehaugh Project Services, whose managing directors are Terry Amos and John James, have increased significantly and the company provides a full range of technical and construction services to the Group.

I was pleased to welcome to the Board earlier this year Mr Andrew Gay, who was formerly managing director of Marples International.

During the year much progress has been achieved at Broadgate, the development centred on London's Liverpool Street Station being undertaken by the Group's associated company Rosehaugh Stanhope Developments. The development is currently planned to provide approximately 3.3 million square feet net of offices together with ancillary accommodation in up to fourteen phases. The office space in the first two phases (totalling approximately 469,000 square feet net) has been completed and the lessees, Security Pacific and Shearson Lehman respectively, have taken up occupation. The third phase, which will provide approximately 370,000 square feet net of offices, is in the process of fitting out by the lessee, Union Bank of Switzerland.

Phases four to seven of Broadgate (approximately 1.2 million square feet net of offices) are currently under construction and preliminary works on phases eight to ten (approximately 0.7 million square feet net of offices) have also started. Principal terms have been agreed with major occupiers in the financial and professional sectors for the majority of the office space in these phases.

Chairman's statement (continued)

Rosehaugh Public Limited Company

Other projects in which Rosehaugh Stanhope Developments is involved include the development of a *finchfield* site of approximately seven acres in the London Dock and Isle of Dogs Enterprise Zone. An agreement has been entered into with the Reuters group under which a particular designed building of approximately 295,000 square feet gross has been pre-leased to Reuters who have also been granted options to acquire up to three further buildings of similar size which would be constructed on the site of Rosehaugh Stanhope Developments. Adjacent to this development is the 17 acre site of the former Brunswick Island power station where it is proposed that a residential and commercial development be carried out through a joint company owned equally by Rosehaugh Stanhope Developments and Berkley House.

Rosehaugh Stanhope Developments has also submitted proposals to London Docklands Development Corporation for a major retail, commercial and residential development in the Royal Docks. There are also proposals for the development of offices between Holborn Viaduct and Euston railway station by Rosehaugh Stanhope Developments in conjunction with British Rail, who are applying for the necessary statutory powers to carry out extensive railway works. The development will include the removal of a substantial part of the existing railway viaduct and the construction of a new underground tunnel connecting the London Midland Region and Southern Region rail networks and a major new station below ground.

During the year the construction of 3 Finsbury Avenue, London EC2, an office development being undertaken by the Group's associated companies in the Rosehaugh Greyhound Group, was completed and the building (approximately 15,000 square feet net) is now occupied by the tenant, Henderson Administration. 1 Finsbury Avenue (approximately 244,000 square feet net of offices) is complete and fully let, and 2 Finsbury Avenue (approximately 100,000 square feet net of offices) is due to be completed ready for fitting out by the lessee, S.G. Warburg & Co., in early 1988.

The number of personnel employed has increased significantly during the year to support the continued growth of the Group and to maintain the ability to take advantage of new opportunities. The Board expects the high level of activity to continue throughout the current year.

Your Board will continue its cautious approach to the management of the Group's business, and the current problems affecting the world's financial markets serve to reinforce the importance of this policy.

Shareholders will be asked at the Annual General Meeting to approve a special resolution and an ordinary resolution as special business. The special resolution is similar to that passed by shareholders at last year's Annual General Meeting, and would give the Directors the power to allot equity securities for cash of a nominal value 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 entitlements to a nominee for sale on their behalf. The power conferred by the special resolution will continue until 31st December, 1988 and it is proposed to renew it each year at the Annual General Meeting. The Stock Exchange no longer requires as hitherto consent of shareholders of the Company to each specific issue of equity capital for cash made otherwise than to existing shareholders in proportion to their equity shareholdings.

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The ordinary resolution to be proposed as special business will enable the Company to purchase not more than 8,950,000 ordinary shares in its share capital provided the purchase price per share is within the limits set out in the resolution. The authority conferred by this resolution will continue until 31st December, 1988 although it is proposed to renew it each year at the Annual General Meeting.

Together with the Annual Report and Accounts, shareholders will be receiving a circular seeking approval to the proposed establishment of share option schemes and giving details of a proposed reorganisation of subsidiaries to be considered at an Extraordinary General Meeting to follow directly after this year's Annual General Meeting. Full details of these proposals, which are intended to provide a more direct incentive to directors and other employees in respect of those parts of the Group's business where their efforts have the most effect, are given in the circular.

It is a pleasure for me to take this opportunity to thank my fellow Directors and all the personnel of the Group for their great efforts and contribution to your Company's continuing success.

Godfrey Bradman

Chairman

17th November, 1987

Directors' report

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

The directors present their report together with the audited accounts and auditors' report for the year ended 30th June, 1987.

Business review

Principal activities

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 in property investment and development, property trading and trading in shares and securities.

Acquisition of The General Funds Investment Trust Plc

On 7th April, 1987, the Company's offer for the whole of the issued share capital of The General Funds Investment Trust Plc became unconditional, giving rise to the issue of 12,592,100 new ordinary shares of 20p each of the Company in part consideration as shown in note 17 to the accounts.

Group results

	1987 £'000	1986 £'000
Turnover	60,307	42,545
Gross profit	12,176	10,191
Share of income of related companies	3,110	836
Gross profit and share of income of related companies	15,286	11,027
Income from other fixed asset investments and interest receivable	7,917	3,684
Administrative and staff costs	(5,867)	(3,912)
Interest payable	(2,218)	(4,211)
Profit on ordinary activities before taxation	15,118	6,588
Taxation on profit on ordinary activities	(4,978)	(2,300)
Profit on ordinary activities after taxation	10,140	4,288
Profit attributable to ordinary shareholders	10,030	4,209
Earnings per ordinary share	19.49p	10.51p

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

	1987		1986	
	Turnover £'000	Gross profit £'000	Turnover £'000	Gross profit £'000
Property trading and development	43,854	7,150	34,281	6,440
Property rental	3,728	2,748	3,673	2,768
Trading in shares and securities and other trading activities	12,725	2,278	4,591	983
	60,307	12,176	42,545	10,191

Dividend

The directors recommend the payment of a dividend of 1.25p net per ordinary share absorbing the sum of £808,954 (1986: £521,242) including £41,829 (1986: £33,503) payable to London Mercantile Holdings Limited, a wholly owned subsidiary of the Company, and that the balance of retained profit for the year of £9,263,000 be carried to reserves. Warrants for the dividend, if approved, will be payable on 14th December 1987 to shareholders on the register at the close of business on 10th November 1987.

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Statement of comparative assets and earnings

On page 39 is set out a table summarising the Group's assets, earnings and dividend record over the past five years

Investment properties

The Group's investment properties are stated in the balance sheet at their aggregate market value at 30th June, 1987, based on valuations carried out by independent professional surveyors and valuers. The movements during the year in investment properties are set out in note 10 to the accounts.

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 10 to the accounts

Related companies and other fixed asset investments

Information relating to the principal related companies and other fixed asset investments of the Group and valuations and other events during the year affecting the Group's investment in related companies and other fixed asset investments is provided in note 11 to the accounts.

Directors

The directors of the Company in office at the date of this report are shown on page 2, all of whom served throughout the year with the exception of Mr A. J. Gay, who was appointed a director of the Company on 21st July 1987.

Mr T. J. Nardocchia is a non-executive director of the Company who was appointed to the Board in November 1979. Mr Nardocchia has considerable town planning expertise and, until his recent retirement, was senior partner of Montagu Evans, Chartered Surveyors.

Directors' and substantial interests

The beneficial interests of the directors and their families in the shares of the Company appearing in the register maintained under the provisions of the Companies Act 1985 are as follows:

	30th June, 1987			30th June, 1986		
	Ordinary shares of 20p each	Convertible deferred shares of 20p each	Share options: Ordinary shares of 20p each	Ordinary shares of 20p each	Convertible deferred shares of 20p each	Share options: Ordinary shares of 20p each
G. M. Bradman	2,382,866	3,650,000	67,226	3,799,866	3,650,000	---
S. Adam	32,395	---	135,041	32,395	---	---
A. Ashenden	105,500	---	---	105,500	---	105,819
A. J. Gay	---	---	---	---	---	---
R. A. Green	21,250	---	32,596	---	---	---
R. C. Howson	---	---	---	21,250	---	---
T. J. Nardocchia	140,000	---	120,276	---	---	94,761
I. M. Rowberry	13,030	---	---	150,000	---	---
				23,030	---	---

Subsequent to 30th June, 1987 Mr T. J. Nardocchia has disposed of 20,000 ordinary shares of 20p each. No other changes have taken place to the date of this report.

London Mercantile Holdings Limited ("LMH"), a wholly owned subsidiary of the Company, owns 3,350,330 ordinary shares of 20p each in the Company ("the LMH shareholding"), representing 5.2% of the total issued ordinary share capital.

The Company has been notified that 2,382,866 ordinary shares in the Company (representing 3.7% of the total issued ordinary share capital and 3.9% of the issued ordinary share capital excluding the LMH shareholding) are held by trustees of fully settled trusts established by Mr G. M. Bradman. Certain of the trustees of these settlements also hold 3,650,000 convertible deferred shares of 20p each in the Company being the whole of the issued share capital of that class. As disclosed in the table of directors' interests, Mr Bradman is interested in these shareholdings of 2,382,866 ordinary shares and 3,650,000 convertible deferred shares.

The Company has not received notification under the Companies Act 1985 of any other interest representing 5% or more of the issued share capital.

Directors' report (continued) for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

Directors' and substantial interests (continued)

The Company has granted, in accordance with the provisions of The Rosehaugh PLC 1985 Executive Share Option Scheme ("the Rosehaugh Scheme") options to directors of the Company to acquire ordinary shares in the Company as follows

	<i>Date of grant of option</i>	<i>Number of shares</i>	<i>Option price</i>
G M Bradman	18 December 1986	67,226	595p
S Adam	21 January 1986	94,761	335p
	23 May 1986	11,058	524p
	18 December 1986	17,581	595p
	29 May 1987	11,641	859p
A J Gay	29 May 1987	32,590	859p
R C Howson	21 January 1986	94,761	335p
	18 December 1986	13,874	595p
	29 May 1987	11,641	859p

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

Mr I. M. Rowberry has been granted, in accordance with the provisions of The Rosehaugh Copartnership Investments Limited 1985 Executive Share Option Scheme, an option to subscribe at par for 730 ordinary shares of £1 each in the Company's wholly owned subsidiary Rosehaugh Copartnership Investments Limited (representing 7.5% of the present issued share capital of that company as increased by the number of shares which are the subject of the option). No consideration was paid for the grant of the option which is exercisable for the period of seven years commencing on 22nd April, 1989

Other share options

In addition to the share options granted to directors referred to above, the Company has granted, in accordance with the provisions of the Rosehaugh Scheme, options to other employees to acquire ordinary shares in the Company as follows

<i>Date of grant of option</i>	<i>Number of shares</i>	<i>Option price</i>
23 May 1986	227,235	524p
18 December 1986	72,894	595p
29 May 1987	122,451	859p

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

Charitable donations

The Group contributed £18,000 to charities during the year

Auditors

Arthur Andersen & Co. have indicated their willingness to continue in office and, in accordance with Section 384 of the Companies Act 1985, a resolution proposing their re-appointment as auditors of the Company will be put to the Annual General Meeting

Income and Corporation Taxes Act 1970

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

By Order of the Board

C M J Fushaw
Secretary

17th November, 1987

Auditors' report

for the year ended 30th June, 1987

To the members of Rosehaugh Public Limited Company

We have audited the accounts set out on pages 13 to 38 in accordance with approved Auditing Standards

In our opinion, the accounts, which have been prepared in accordance with the accounting policies set out on pages 16 and 17, give a true and fair view of the state of affairs of the Company and of the Group at 30th June, 1987 and of the Group profit and source and application of funds for the year then ended, and comply with the Companies Act 1985

Arthur Andersen & Co.
Chartered Accountants

London
17th November, 1987

Rosehaugh PLC 1985
to directors of the

Number of shares	Option price
67,226	595p

94,761	335p
11,059	524p
17,581	595p
11,641	859p

32,596	859p
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94,761	335p
13,874	595p
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2,451	859p

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Consolidated profit and loss account

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

		1987	1986
	Notes	£'000	£'000
Turnover	1	60,307	42,545
Cost of sales		48,131	32,354
Gross profit	1	12,176	10,191
Share of income of related companies	11(e)	3,110	836
Gross profit and share of income of related companies		15,286	11,027
Income from other fixed asset investments	2	1,134	46
Interest receivable and similar income	11(e)	6,783	3,638
		7,917	3,684
Gross profit and other income		23,203	14,711
Administrative and staff costs	3	5,867	3,912
Interest payable and similar charges	4	2,218	4,211
		8,085	8,123
Profit on ordinary activities before taxation	5	15,118	6,588
Taxation on profit on ordinary activities	7	4,978	2,300
Profit on ordinary activities after taxation	8	10,140	4,288
Minority interests		110	79
Profit attributable to ordinary shareholders		10,030	4,209
Proposed dividend at 1 25p per share (.986 1 00p)		767	488
Retained profit for the financial year	18	9,263	3,721
Retained profit, beginning of year	18	26,283	11,392
Transfer from revaluation reserve		—	11,170
Retained profit, end of year	18	35,546	26,283
Earnings per ordinary share based on profit attributable to ordinary shareholders	9	19.49p	10.51p

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

Balance sheets

at 30th June, 1987

Rosehaugh PLC and subsidiaries

	1986 £'000	Notes	Group		Company	
			1987 £'000	1986 £'000	1987 £'000	1986 £'000
Fixed assets						
Investment properties	32,354	10	8,007	7,656	—	—
Development properties held for investment	10,191	10	25,993	1,346	—	—
Office equipment, vehicles and furniture	836	10	1,370	861	—	—
			35,370	9,863	—	—
Fixed asset investments	11,027	11	126,396	37,729	233,751	57,394
			161,766	47,592	233,751	57,394
Current assets						
Investments listed in the UK	46	11(a)	80,327	—	—	—
Stocks	3,638	12	71,065	50,511	—	—
Debtors	3,684	13	33,026	25,256	51,650	43,137
Cash at bank and in hand	14,711		22,635	51,405	5,391	29,440
			207,053	127,172	57,041	72,577
Creditors: Amounts falling due within one year	8,123	14	(70,305)	(53,109)	(24,330)	(12,317)
Net current assets	6,588		136,748	74,063	32,711	60,260
Total assets less current liabilities	2,300		298,514	121,655	266,462	117,654
Creditors: Amounts falling due after more than one year	4,288	15	(23,750)	(2,850)	—	—
Provisions for liabilities and charges	79					
Provisions for deferred taxation	4,209	16	(9,835)	(2,591)	(1,786)	(1,596)
Net assets	488		264,929	116,214	264,676	116,058
Capital and reserves						
Called up share capital	3,721	17	13,003	10,485	13,003	10,485
Share premium account	11,392	18	53,771	57,121	53,771	57,121
Capital reserve	11,170	18	82,478	—	82,478	—
Revaluation reserve	26,283	18	79,878	22,169	100,945	39,142
Profit and loss account		18	35,546	26,283	14,479	9,310
			264,676	116,058	264,676	116,058
Shareholders' funds						
Minority interests			253	156	—	—
Total capital employed			264,929	116,214	264,676	116,058

Signed on behalf of the Board

G. M. Bradman

Directors

S. Adam

17th November, 1987

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

part of this profit

Consolidated statement of source and application of funds for the year ended 30th June, 1987

Roschaugh PLC and subsidiaries

	1987 £'000	1986 £'000
Source of funds		
Profit attributable to ordinary shareholders	10,030	4,209
Add (deduct) items not involving cash flow during the year		
Depreciation of and amounts written off fixed assets	291	176
Surplus on disposal of fixed assets and fixed asset investments	(22)	17
Profit retained in related companies	(2,049)	(624)
Increase in provision for deferred taxation	2,350	862
Minority interests in retained profit for year	110	79
Gain on disposal of subsidiary (see note 11(b)(ii))	(279)	
Total funds from operations	10,431	4,695
Ordinary shares issued in consideration for the acquisition of The General Funds Investment Trust Plc	84,996	
Proceeds from disposal of fixed assets and fixed asset investments	2,837	20,149
Increase in creditors falling due after more than one year	15,955	
Net proceeds of rights issue	—	58,930
Convertible deferred shares issued in consideration for the acquisition of London Mercantile Holdings Limited	—	730
Repayment of loans due from US limited partnership	—	209
Minority interests in share capital of subsidiaries acquired	—	26
Transfer from creditors falling due within one year to provisions for deferred taxation (see note 16(c))	4,889	
Decrease in net current assets, as shown below	25,195	
	144,303	84,739
Application of funds		
Dividend paid	488	267
Loans to related companies	28,727	6,327
Additions to fixed assets and fixed asset investments	26,579	1,301
Decrease in creditors falling due after more than one year	—	1,044
Acquisition of The General Funds Investment Trust Plc (see note 11(b)(i))	85,146	
Costs arising on the issue of ordinary shares	3,350	
Minority interests in share capital of subsidiary sold	13	
Acquisition of London Mercantile Holdings Limited	—	730
Transfer to creditors falling due within one year from provisions for deferred taxation (see note 16(c))	—	4,788
Increase in net current assets, as shown below	—	70,262
	144,303	84,739
Increase (decrease) in net current assets		
Stocks	20,951	14,832
Debtors	5,127	12,853
Creditors falling due within one year (other than bank loans and overdrafts, and proposed dividends)	3,565	(15,829)
Movement in net liquid funds	29,643	11,856
Cash at bank and in hand	(35,100)	46,058
Bank loans and overdrafts	(19,738)	12,348
	(25,195)	70,262
Assets and liabilities at the beginning of the financial year	£'000	£'000
Fixed asset investments	82,585	909
Debtors	2,646	557
Cash at bank and in hand	6,331	4,945
	91,562	5
		85,146
		91,562

Statement of accounting policies

Rosehaugh PLC and subsidiaries

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 associated companies (see accounting policy 7). The accounts of subsidiary companies are all made up to 30th June, 1987. The accounts of associated companies are generally made up to 30th June, 1987 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 US limited partnership 120 Church Street Associates is reported on the equity method of accounting in the consolidated accounts (see note 11(p)).

As provided by Section 228 of the Companies Act 1985, no profit and loss account is presented for the Company.

2. Turnover

Turnover, which is stated net of VAT, includes the sales of trading stocks of properties, property developments and shares and securities, together with plant and equipment leasing rentals, 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 completed within 12 months are recognised on the conclusion of a sale agreement and substantial completion of the related building works. The sales values and gross profit of property development projects extending for periods in excess of 12 months 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.

3. Investment properties

Investment properties are subject to annual valuations and are stated at their open market value based on such valuations. Changes in the value of investment properties are disclosed as movements on revaluation reserve. Where investment properties are appropriated within the Group from trading stocks, they are transferred at open market value based on independent professional valuations, with any surplus arising being reported as a movement on revaluation reserve in the Group balance sheet. 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.

4. 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 which are directly related to specific properties.

5. 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.

1987	1986
£'000	£'000
4,209	
176	
71	
624	
862	
79	
4,695	
20,149	
58,030	
730	
209	
26	
84,739	
287	
6,327	
1,301	
1,044	
730	
4,788	
70,262	
84,739	
14,832	
12,853	
115,829	
11,856	
46,058	
12,548	
70,262	
£'000	
909	
557	
4,945	
5	
85,146	
91,562	

Statement of accounting policies (continued)

Rosehaugh PLC and subsidiaries

6. Finance lease receivables

Plant and equipment leased to customers under finance leases are stated in the balance sheet at the amount of the Group's net investment in the leases. The gross profit under each lease is allocated to accounting periods over the lease term to give a constant rate of return on the net investment in the lease in each period.

7. Interests in associated companies

In the accounts of both the Group and the Company, interests in associated companies (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. Cost includes administrative expenses relating to associated companies. In the Group accounts, the earnings of associated companies are credited to the profit and loss account while in the Company's accounts they are credited to revaluation reserve. In the accounts of both the Group and the Company, dividends received are credited to the investment.

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

8. Interests in subsidiary companies

In the accounts of the Company, investments in subsidiary companies are stated on the modified equity method whereby the cost of the investments is adjusted for the movement in the undistributed underlying net assets applicable thereto since the date of acquisition, with the corresponding credit to revaluation reserve. Dividends receivable are credited to the profit and loss account.

9. Other fixed asset investments

Other fixed asset investments are stated at cost or valuation, 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 which are directly related to specific development projects.

(b) Properties held for resale

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

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 16 to the accounts.

12. Foreign currency

Assets, liabilities and results denominated in a foreign currency are translated into sterling at the closing exchange rate ruling at the date of the balance sheet. Any material exchange differences arising from the translation of the opening net investment in foreign subsidiaries are recorded as movements on reserves. Other differences arising from translations are recorded in the profit and loss account.

Notes to the accounts

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

1. Contributions to turnover and profit

- (a) The contributions to turnover and gross profit by each of the principal activities of the Group and the composition of profit on ordinary activities before taxation were as follows:

	1987		1986	
	Turnover £'000	Gross profit £'000	Turnover £'000	Gross profit £'000
Turnover and gross profit				
Property trading and development	43,854	7,150	34,281	6,440
Property rental	3,728	2,748	3,673	2,768
Trading in shares and securities and other trading activities	12,725	2,278	4,591	983
	<u>60,307</u>	<u>12,176</u>	<u>42,545</u>	<u>10,191</u>
Share of income of related companies		3,110		836
Gross profit and share of income of related companies		15,286		11,027
Income from other fixed asset investments, interest receivable and similar income		7,917		3,684
		<u>23,203</u>		<u>14,711</u>
Administrative and staff costs	5,867		3,912	
Interest payable and similar charges	2,218		4,211	
		<u>8,085</u>		<u>8,123</u>
Profit on ordinary activities before taxation		<u>15,118</u>		<u>6,588</u>

- (b) Turnover and gross profit from property trading and development include £9,878,000 (1986 £5,434,000) and £2,123,000 (1986 £1,362,000) respectively relating to developments in progress which extend for periods in excess of 12 months

- (c) 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

- (d) Turnover from other trading activities includes management fees receivable from related companies of £450,000 (1986 £200,000).

- (e) Administrative and staff costs are stated after charging £800,000 (1986 £400,000) to investments in related companies (see note 11(e)).

- (f) Other than fees of £15,000 (1986 £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 UK.

Notes to the accounts

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

	1987 £'000	1986 £'000
2. Income from other fixed asset investments		
Dividends and interest from investments listed in the UK	1,043	12
Surplus realised on disposal of listed investments	91	34
	<u>1,134</u>	<u>46</u>
3. Administrative and staff costs	1987 £'000	1986 £'000
Staff costs (see note 6)	2,750	1,819
Other administrative costs	3,117	2,093
	<u>5,867</u>	<u>3,912</u>
4. Interest payable and similar charges	1987 £'000	1986 £'000
On bank loans and overdrafts		
Repayable within five years, by instalments	146	289
Repayable within five years, not by instalments	3,507	5,363
Repayable after five years, not by instalments	592	
	<u>4,245</u>	<u>5,652</u>
Less amounts charged to development work in progress and development properties held for investment	(2,027)	(1,447)
Charged directly to profit and loss account	2,218	4,211
Included in cost of sales	<u>850</u>	<u>1,093</u>
Development work in progress and development properties held for investment at 30th June, 1987 include interest of £2,004,000 (1986: £1,419,000) and £592,000 (1986: £Nil) respectively		
5. Profit on ordinary activities before taxation	1987 £'000	1986 £'000
Profit on ordinary activities before taxation as stated, after charge on		
Staff costs (see note 6)	2,750	1,819
Auditors' remuneration	163	132
Hire of plant and equipment	197	108
Depreciation and amounts written off office equipment, vehicles and furniture (see note 10)	291	176
	<u>2,750</u>	<u>1,819</u>
6. Staff costs	1987 £'000	1986 £'000
(a) Particulars of staff costs (including executive directors):		
Wages and salaries	2,404	1,640
Social security costs	243	113
Other pension costs	103	66
	<u>2,750</u>	<u>1,819</u>
The average weekly number of persons employed by the Group during the year was 130 (1986: 98)		

1986 £'000		6. (b) Directors' remuneration	1987 £'000	1986 £'000
12		Administrative and staff costs shown above include the following remuneration in respect of the directors of the Company		
34		Salaries and fees	615	452
46		Other emoluments (including pension contributions)	57	51
			<u>672</u>	<u>503</u>
1986 £'000		The directors' remuneration shown above (excluding pension contributions) included:		
1,819		Chairman	122	33
2,093		Highest paid director	140	115
3,912			<u>122</u>	<u>115</u>
			1987 (Number)	1986 (Number)
1986 £'000		Other directors received emoluments (excluding pension contributions) in the following ranges		
289	Up to £ 5,000		-	1
5,363	£ 5,001 - £ 10,000		1	-
	£ 10,001 - £ 20,000		-	1
5,652	£ 20,001 - £ 30,000		-	1
(1,441)	£ 30,001 - £ 40,000		1	-
4,211	£ 40,001 - £ 50,000		-	1
1,093	£ 50,001 - £ 60,000		-	1
	£ 60,001 - £ 70,000		-	1
	£ 70,001 - £ 80,000		1	-
	£ 80,001 - £ 90,000		1	1
	£ 90,001 - £ 100,000		1	-
	£ 100,001 - £ 110,000		1	-
	£ 110,001 - £ 120,000		1	-
	£ 120,001 - £ 130,000		1	-
			<u>1</u>	<u>1</u>
			1987 £'000	1986 £'000
		7. Taxation on profit on ordinary activities		
		The charge for taxation comprises:		
		Taxation based on profits for the year	1,482	1,150
		UK corporation tax at 35% (1986 - 38 / 5%)	2,435	938
		Deferred taxation		
			<u>3,917</u>	<u>2,088</u>
		Taxation based on share of income of related companies	1,061	217
			<u>4,978</u>	<u>2,300</u>
		8. Profit of the Company		
		Profit on ordinary activities after taxation of the Company was £5,978,000 (1986 - £2,470,000) after crediting dividends receivable from subsidiary companies of £2,000,000 (1986 - £1,000,000)		
		9. Earnings per ordinary share		
		The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders of £10,030,000 (1986 - £4,209,000) and the weighted average number of ordinary shares in issue during the year of 51,464,776 (1986 - 40,051,767) excluding those shares owned by London Mercantile Holdings Limited (see note 17), and including in respect of the period from 14th April to 30th June 1987 12,592,100 new ordinary shares of 20p each issued or to be issued in respect of the acquisition of The General Funds Investment Trust Plc (see note 17)		

Notes to the accounts

for the year ended 30th June, 1987

Roschaugh PLC and subsidiaries

10. Fixed assets

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

	Total £'000	Investment properties £'000	Development properties held for investment £'000	Office equipment vehicles & furniture £'000
Cost of valuation				
Beginning of year	10,184	7,656	1,346	1,182
Additions	25,662		24,647	1,015
Disposals	(348)	(24)		(324)
Revaluations (see note 18)	375	375		
End of year	35,873	8,007	25,993	1,873
Depreciation				
Beginning of year	321			321
Charge	291			291
Disposals	(109)			(109)
End of year	503			503
Net book value				
End of year	35,370	8,007	25,993	1,370
Beginning of year	9,863	7,656	1,346	361

(b) Investment properties

The investment properties, which are long leasehold, are stated in the balance sheet at their aggregate open market value at 30th June, 1987 based on valuations carried out by independent professional surveyors and valuers, Clive Lewis & Partners and Weatherall Hollis & Gale. The aggregate surplus at 30th June, 1987 of the value at which the investment properties are stated in the balance sheet over their aggregate cost to the Group is £446,000 (1986: £71,000).

(c) Development properties held for investment

Development properties held for investment are stated in the balance sheet at cost.

Development properties held for investment include a property acquired during the year and currently in the course of construction known as South Quay Plaza Phase 2 located in the London Docklands Isle of Dogs Enterprise Zone which will provide approximately 143,000 square feet net of offices. The total building cost of £21,365,000 had been paid at 30th June, 1987 under the terms of the building contract and works amounting to £2,503,000 had been certified as completed at that date.

Development properties held for investment include interest charges amounting to £592,000 (1986: £Nil) on related external borrowings.

11. Fixed asset investments

(a) Fixed asset investments comprise the following:

	Group		Company	
	1987 £'000	1986 £'000	1987 £'000	1986 £'000
Subsidiary companies (see (b) and (d) below)	—	—	119,818	30,835
Related companies (see (c) and (e) below)	77,534	17,005	74,804	15,538
Loans to related companies	41,270	12,543	39,129	11,021
Investments listed in the UK (see (f) below)	92	81	—	—
US limited partnership (see (g) below)	7,500	8,100	—	—
	126,396	37,729	233,751	57,394

ent	Office
ties	equipment
for	vehicles &
ent	furniture
000	£'000
346	1,182
347	1,015
	(324)
93	1,873
	321
	291
	(109)
	503
93	1,370
46	861

balance sheet at
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Phase 2 located
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Company	
1987	1986
000	£'000
818	30,835
804	15,538
129	11,021
751	57,394

11. (b) Subsidiary companies

The principal subsidiary companies and their respective principal activities are as follows

	Percentage shareholding held by the Group through		Principal activities
	Company	Subsidiaries	
Baxtergate Investment Co Limited and subsidiary	100%		Property development and investment, property trading and trading in shares and securities
Cardwood Limited	85%		Property development and investment
Church Street Realty Co. Inc. Craftsmonth Limited	100%	100%	Investment holding Land and property trading and development and housebuilding
The General Funds Investment Trust Plc	100%		Investment trust
Home for Life PLC and subsidiaries		75%	Retirement housing
London Mercantile Holdings Limited	100%		Investment holding
Pelham Homes Limited and its subsidiary Rosehaugh Dacre PLC	90%	67.5%	Property development and housebuilding
Rosehaugh Copartnership Investments Limited and its subsidiary Rosehaugh Copartnership Developments Limited		100%	Property development (central London residential)
Rosehaugh Estates PLC (formerly Copartnership Property Developments Limited)		100%	Land and property trading and development
Rosehaugh Heritage PLC		78.9%	Land and property trading and development
Rosehaugh Management Services Limited	100%		Provision of administrative and management services
Rosehaugh Project Services Limited		100%	Provision of technical and construction services
Shearwater Property Holdings PLC		75%	Property development (town centre and shopping)
Tolverne Investment Co Limited	100%		Property trading

- iii) The Company's offer to acquire the whole of the issued share capital of The General Funds Investment Trust Plc became unconditional on 7th April, 1987. At 30th June, 1987 acceptances in respect of 93% of the ordinary shares, 89% of the convertible ordinary shares and 97% of the preference shares had been received. Compulsory notices to acquire those shares for which acceptances have not been received have been issued under Sections 428-430 of the Companies Act 1985 subsequent to 30th June, 1987.

The Company has issued or will issue 12,592,100 new ordinary shares of 20p each which together with an amount of £150,000 paid for the preference shares represents a fair value of consideration of £85,146,000 for the acquisition of The General Funds Investments Trust Plc which at the date of acquisition had a net asset value of £85,146,000. The excess of the consideration over the par value of the shares issued will be accounted for under Section 131 Companies Act 1985 and treated as a capital reserve (see note 18).

Notes to the accounts

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

11. (b) Subsidiary companies (continued)

- (ii) On 30th June, 1987, a subsidiary company which owned 150,000 'A' ordinary shares of £1 each, 25 pence paid, in John Duggan Properties PLC ("JD Properties") representing 75% of the issued share capital of that company, disposed of its shareholding to the minority shareholder for a consideration of £150,000. The consideration is payable in the event of, either, JD Properties receiving any fee in connection with the purchase or sale of land at a nominated site in Surrey, or outline planning consent being obtained for any form of development at a further nominated site in Surrey within the next ten years.

At the date of completion of the disposal JD Properties repaid all amounts owing to the Rosehaugh Group by way of unsecured loan and accumulated interest amounting to £722,000.

The assets and liabilities of JD Properties disposed of were as follows

	£'000		£'000
Office equipment, vehicles and furniture	42	Creditors falling due within one year	722
Stocks	397	Gain on disposal of subsidiary	(279)
Debtors	3		
Cash at bank and in hand	1		
	<u>443</u>		<u>443</u>

- (iii) With the exception of Church Street Realty Co. Inc. which is incorporated in the USA and operates in the USA, and The General Funds Investment Trust Plc which invests in securities listed on overseas and UK stock exchanges, the above subsidiary companies are registered in England and, during the year, operated only in the UK.

(c) Related companies

- (i) The principal related companies at 30th June, 1987, all of which are unlisted and whose principal activities are property development and investment and property trading, are as follows

	Issued share capital	Percentage shareholding held by the Group through Company Subsidiaries
Rosehaugh Stanhope Developments (Holdings) PLC (see (f) below)	1,050,000 ordinary shares of £1 each	50%
Rosehaugh Greycoat Estates Holdings Limited (see (g) below)	1,111,765 ordinary shares of £1 each	40.3%
Hartstreet Properties Limited (see (h) below)	100,000 ordinary shares of £1 each	42.5%
Shearwater Estates PLC (see (i) below)	500,000 ordinary shares of £1 each	37.5%
Rosehaugh Associated Ports Developments PLC (see (j) below)	100,000 ordinary shares of £1 each	37.5%
RAPD Horsnam Limited (see (k) below)	100 ordinary shares of £1 each	37.5%
Kerrykey Limited (see (l) below)	1,000 ordinary shares of £1 each	50%

- (ii) The above related companies are registered in England and, during the year, operated only in the UK.

0,000 'A' ordinary
("JD Properties")
y, disposed of its
of £150,000. The
receiving any fee in
n Surrey, or outline
ment at a further

amounts owing to
accumulated interest

ollows.

within £'000
subsidiary 722
(279)

443

incorporated in the
nt Trust Plc which
anges, the above
ear, operated only

n are unlisted and
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the Group through
ny Subsidiaries

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37.5%

37.5%

50%

during the year

11. (d) The investment of the Company in its subsidiary companies is represented by:

	1987 £'000	1986 £'000
Cost of shares acquired less amounts written off		
Beginning of year	17,651	4,585
Movement in exchange rates	(19)	(72)
Acquisition of The General Funds Investment Trust Plc	85,146	—
Acquisition of London Mercantile Holdings Limited ("LMH")	—	13,126
Other shares acquired during the year	—	12
Other shares disposed of during the year	(13)	—
	<u>102,765</u>	<u>17,651</u>
Less 3,350,330 ordinary shares of 20p each of the Company held by LMH at date of acquisition (see note 17)	<u>(12,396)</u>	<u>(12,396)</u>
End of year	90,369	5,255
Surplus of underlying net assets attributable to shares acquired over consideration given	715	715
Post acquisition profits and reserves	28,734	24,865
Underlying net assets	<u>119,818</u>	<u>30,835</u>
Amounts due from/to subsidiaries		
Due from subsidiaries (see note 13)	49,789	37,531
Due to subsidiaries (see note 14)	<u>(22,850)</u>	<u>(11,405)</u>
Net amounts due from subsidiaries	<u>26,939</u>	<u>26,126</u>

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

	Group		Company	
	1987 £'000	1986 £'000	1987 £'000	1986 £'000
Cost of investment				
Beginning of year	2,273	1,521	1,261	1,059
Shares acquired during the year	42	352	42	202
Shares disposed of during the year	(296)	—	(296)	—
Administrative and staff costs (see note 11e)	800	400	—	—
End of year	2,819	2,273	1,007	1,261
Share of post acquisition retained profits and revenue reserves (see below)	2,783	734	1,915	329
Share of revaluation surplus (see note 18)	71,932	13,998	71,882	13,948
	<u>77,534</u>	<u>17,005</u>	<u>74,804</u>	<u>15,538</u>
Loans to related companies	41,270	12,543	39,129	11,021
	<u>118,804</u>	<u>29,548</u>	<u>113,933</u>	<u>26,559</u>

Share of income of related companies amounting to £3,110,000 (1986 £836,000) has been recognised in the profit and loss account for the year ended 30th June, 1987 together with an associated tax charge of £1,061,000 (1986 £212,000) giving rise to a net movement in share of post-acquisition retained profits and revenue reserves of £2,049,000 (1986 £624,000) during the year. Interest receivable by the Group for the year ended 30th June, 1987 on loans to related companies amounted to £3,126,000 (1986 £1,104,000).

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

Notes to the accounts

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

11. (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, 1987 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.

Prior to the 30th June, 1987 RSD and Rosehaugh Stanhope Developments PLC, together with their respective subsidiaries, comprised separate groups. On that date RSD acquired the whole of the issued share capital of Rosehaugh Stanhope Developments PLC by a share exchange.

Summarised below is the consolidated balance sheet of RSD at 30th June, 1987 based upon audited accounts at that date:

	1987 £'000	1986 £'000
Investment properties	258,650	—
Development properties held for investment	128,857	83,362
Other fixed assets	213	32
	<u>387,720</u>	<u>83,394</u>
Net current liabilities	(160,070)	(49,796)
Amounts due to shareholders	(55,522)	(13,843)
Creditors falling due after more than one year	(86,787)	(18,771)
Net assets	<u>85,341</u>	<u>984</u>
Called up share capital	1,012	1,012
Revaluation reserve	84,759	—
Profit and loss account	(455)	(28)
Shareholders' funds of RSD	<u>85,316</u>	<u>984</u>
Minority interests	25	—
Total capital employed	<u>85,341</u>	<u>984</u>

(ii) 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 Station. The first six phases of the development (being phases 1 to 4 inclusive and phases 6 and 7), the land acquisitions for which had been completed at 30th June, 1987 or shortly thereafter, will provide approximately 1.8 million square feet of net lettable office space together with community facilities, shopping and restaurants. In addition, a further eight phases of development are planned to provide approximately 1.5 million square feet of net lettable office space together with ancillary accommodation. The principal financial terms for the development of these later phases have been agreed and outline planning permission obtained for most of the site.

Phases 1 and 2 of the development provide approximately 469,000 square feet net of offices which are completed and let to subsidiaries of Security Pacific Corporation and Shearson Lehman Brothers International Inc., respectively. These two phases are classified as investment properties and were valued at £258.7m at 30th June, 1987 by independent professional surveyors and valuers, Debenham Tewson & Chinnocks Limited. These valuations gave rise to a revaluation surplus of £84.8m, and the Group's 50% share of the revaluation surplus has been included in the value of the Group's investment in RSD. The principal finance for these phases is provided under bank loan facilities totalling £115m against which a total of £96.8m had been drawn down at 30th June, 1987.

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1987 £'000	1986 £'000
8,650	-
8,857	83,362
213	32
7,720	83,394
(3,070)	(49,796)
(5,522)	(13,843)
(5,787)	(18,771)
5,341	984
1,012	1,012
(7,759)	-
(455)	(28)
3,316	984
25	-
3,341	984

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11. (f) Rosehaugh Stanhope Developments (Holdings) PLC and subsidiaries (continued)

The development costs incurred for the remaining four of the first six phases and for the subsequent phases (including the cost of properties acquired for those phases) are included under development properties held for investment

Phase 3 is at an advanced stage of construction and will provide approximately 370,000 square feet net of lettable office space which was pre-let last year to the Union Bank of Switzerland. A bank loan facility of £164m has been arranged to finance the development of this phase against which £67.3m had been drawn down at 30th June, 1987

Phase 4 is also under construction and will provide approximately 250,000 square feet net of offices. A bank loan facility of £100m has been arranged since the year end to finance the development of this phase

The development of phases 6 and 7 began early in 1987 with the commencement of construction of a raft over certain platforms at Liverpool Street Station on which these two phases and phase 8 will be located. Phases 6 and 7 will provide approximately 770,000 square feet net of offices and are financed by bank loan facilities totalling up to £300m against which £19.5m had been drawn down at 30th June, 1987

The construction of phase 5, which will provide approximately 180,000 square feet net of offices, has also commenced and will be financed by bank loan facilities totalling up to £80m which have been arranged since the year end

(iii) Arrangements with British Railways Board

RSD and BR had, at 30th June, 1987 or shortly thereafter, completed agreements relating to the drawdown by RSD of the land for phases 1 to 4, 6 and 7 whereby RSD has acquired the freehold interest for phases 1 and 2, and leasehold interests (under 999 year leases) for phases 3, 4, 6 and 7

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 is a pre-agreed fixed sum for each phase. For subsequent phases the initial consideration is by way of a share of rentals computed under a pre-agreed formula

For phases 1 to 3, the sum of the initial purchase prices is £64.4m. The initial purchase price for phase 4 is £23.4m which has been provided for since the year end. Amounts equal to the initial purchase prices for phases 1 to 4 are transferred into interest bearing accounts when they become payable. The monies are then paid over to BR in pre-agreed instalments over various periods of up to 18 months.

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 price for each of the phases is based on a variable percentage of the development surplus achieved. The deferred purchase prices applicable to Phases 1 and 2, based on the values attributed to these investment properties at 30th June, 1987, was £51.5m which amount is included in net current liabilities

In relation to each phase there are various dates on which BR can exercise the right to payment of the deferred purchase price. Depending on the particular phase, BR can call for such payment at any time after the phase becomes 80% let and rent producing or up to 2 to 2.5 years after practical completion. The deferred purchase price for a phase becomes payable on any disposal of that phase.

Notes to the accounts

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

11. (f) Rosehaugh Stanhope Developments (Holdings) PLC and subsidiaries (continued)

(iv) Borrowings

Net current liabilities of the RSD group at 30th June, 1987 include bank loans of £96.8m drawn down under facilities totalling £111m including an amount of £26.0m drawn down under a facility totalling £34m, where, subsequent to 30th June 1987, RSD has exercised its right to extend the repayment date to December 1988.

Creditors of the RSD group at 30th June, 1987 falling due after more than one year include the following bank loans:

	1987 £'000	1986 £'000
Amounts drawn down under facilities totalling £35m repayable within 1-2 years	—	16,771
Amounts drawn down under facilities totalling £464m repayable within 2-5 years	86,787	—
	<u>86,787</u>	<u>16,771</u>

The facilities repayable within 2-5 years include facilities totalling £300m due for repayment in 1991, which may be extended at the option of the relevant RSD subsidiary to 1994 subject to satisfying pre-defined criteria.

The bank loans referred to above relate to phases 1 to 3 and 6 & 7 of Broadgate. Since 30th June, 1987, a 4 year bank loan facility of £100m has been arranged for the development of phase 4 of Broadgate and 4 to 7 year bank loan facilities of up to £80m have been arranged for the development of phase 5.

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.

The loan agreements provide for the loan finance to be applied solely towards development expenditure incurred on the relevant phase of Broadgate (which includes the initial purchase prices of acquiring the land from BR) and RSD's obligations under the agreement with BR in respect of BR's further entitlements including in respect of phases 6 & 7 the deferred purchase prices payable to BR).

(v) Other RSD projects

Blackwall Yard

RSD has acquired a freehold site of approximately 7 acres with an extensive south facing River Thames frontage comprising the former Blackwall Ship Repair Yard. Substantially the whole site is to be used as the Kings Isle of Dogs Enterprise Zone.

An agreement has been signed subsequent to the year end for the sale by RSD to a subsidiary of Reasers Holdings PLC of the freehold of part of the site and the construction by RSD of a purpose designed building of some 295,000 square feet gross. The Reasers subsidiary has a right to pay in advance all or part of the consideration.

Options have been granted to the Reasers group in respect of three further phases on the site involving buildings of similar size. These options provide 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. Certain conditions, including some involving third parties, attach to the implementation of the relevant agreements with the Reasers group, if these are not fulfilled, RSD could be required to repurchase the relevant sites and any buildings thereon.

aries (continued)

able bank loans of amount of £26.0m to 30th June 1987, 30th June 1988

ure than one year

1987 £'000	1986 £'000
—	18,771

6,787

6,787	18,771
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solely towards Broadgate (which BR) and RSD's other entitlements payable to BR)

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11. (f) Rosehaugh Stanhope Developments (Holdings) PLC and subsidiaries (continued)

Brunswick Wharf

RSD owns 50% of the equity share capital of Brunswick Wharf PLC ("Brunswick"). The other 50% is owned by Berkley House PLC. Brunswick has acquired from the Central Electricity Generating Board the freehold of the Brunswick Wharf power station site and has agreed to demolish the power station. Demolition work has recently commenced. The power station site, which 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. Brunswick has applied for outline planning permission from London Docklands Development Corporation in respect of a mixed residential and commercial development of some 2.7 million square feet gross on the site.

Holborn

In 1986 BR proposed the new "Thames Link" service, connecting the London Midland Region and Southern Region rail networks by re-opening the Snow Hill tunnel. RSD co-ordinated the development of a proposal under which this connection could be made through a new underground tunnel which would permit construction of a new station below ground. This would, in turn, permit the removal of the old station at Holborn Viaduct, resulting in the release for development purposes of BR land and substantially improving the development potential for contiguous land. BR are applying for the necessary powers to carry out the railway work through the 1987 British Railways (London) Bill which is currently before Parliament. RSD owns Burdett House (most of which is freehold) in New Bridge Street, London EC4 adjacent to the high level railway viaduct between Blackfriars and Holborn Viaduct Stations. It is intended that Burdett House should form part of a major redevelopment of the area.

The total development potential for RSD, BR and adjoining landowners, principally for office space, is up to 2.25 million square feet gross. A planning application has recently been lodged on behalf of RSD and BR for a development covering approximately 9 acres and totalling some 2.25 million square feet gross. It is envisaged that a significant portion of this project would be developed by RSD working jointly with BR.

(g) Rosehaugh Greycoat Estates Holdings Limited and subsidiaries

(i) Rosehaugh Greycoat Estates Holdings Limited ("RGE Holdings") and its subsidiaries are carrying out a phased development on a site at Finsbury Avenue, London EC2. The first two phases of the development, which provide approximately 317,000 square feet net of offices together with shops, a restaurant and other facilities, have been completed and fully let. The last phase (approximately 100,000 square feet net of offices) is currently being constructed and agreements have recently been signed with S G Warburg & Co. Ltd. for the pre-letting of the entire phase.

(ii) The Company and Greycoat Group PLC ("Greycoat") 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 1,003,879 9.1% preference shares, 7,887 A ordinary shares and 3,380 B ordinary shares, all of £1 each fully paid. All of the preference shares and the A ordinary shares are held by RGE Holdings. The A and B ordinary shares rank *pari passu* as regards dividends, distributions and voting and the holders of the B ordinary shares have the right under the Articles of Association of RGE to require their shares to be purchased by the holders of the A ordinary shares on 30th November, 1987 or on any earlier sale of 1 Finsbury Avenue at an aggregate purchase price calculated as a proportion of the then total value of RGE to be determined in accordance with a post tax net asset valuation formula. Based on the net asset value of RGE at 30th June, 1987, this proportion would be 32%.

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

Notes to the accounts

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

11. (g) Rosehaugh Greycoat Estates Holdings Limited and subsidiaries (continued)

Summarised below is the consolidated balance sheet of RGE Holdings at 30th June, 1987 based upon audited accounts at that date

	1987 £'000	1986 £'000
Investment properties	145,070	87,550
Properties held for redevelopment and investment	9,509	8,742
	<u>154,579</u>	<u>96,292</u>
Net current assets	4,157	1,748
Amounts due to shareholders	(5,983)	(5,327)
Creditors falling due after more than one year	(61,138)	(44,220)
	<u>91,615</u>	<u>48,493</u>
Net assets		
Called up share capital	1,112	1,112
Revaluation reserve	69,655	32,723
Profit and loss account	1,247	555
	<u>72,014</u>	<u>34,390</u>
Shareholders' funds of RGE Holdings		
Minority interests	19,601	14,103
	<u>91,615</u>	<u>48,493</u>
Total capital employed		

- (iii) The Company has entered into an agreement with the minority shareholders of RGE Holdings (who hold in aggregate 19.4% of its issued share capital) under which the Company can be required to purchase 50% of their shareholdings in RGE Holdings at any time during the period of two years commencing on 30th November, 1987 or any earlier sale of 1 Finsbury Avenue, at a price calculated by reference to a post tax net asset valuation formula corresponding to that referred to in paragraph (i) above.
- (iv) In November, 1985 RGE refinanced its borrowings by the issue of £40m of 11% First Mortgage Debenture Stock 2014 secured on 1 Finsbury Avenue to fund, on a long term basis, substantially the whole of the cost of 1 Finsbury Avenue at a fixed interest cost which is below the current rental income.
- (v) RG (Phase 2) and RG (Phase 3) have arranged bank loan facilities to provide development finance of up to £30.0m and £20.4m respectively of which £6.2m and £11.9m had been drawn down at 30th June, 1987. The loan to RG (Phase 2) is repayable by 31st December, 1990 and that to RG (Phase 3) by 31st December, 1988.
- (vi) Jones Lang Wootton Chartered Surveyors, revalued 1 Finsbury Avenue at 30th June, 1987 at £105.1m (1986 - £87.5m) and the second phase completed during the year at £40m. These valuations gave rise to an increase of £36.9m in the revaluation reserves of RGE Holdings net of the amount attributable to the B ordinary shareholders of RGE in respect of 1 Finsbury Avenue.
- The Group's share of the increase in the revaluation surpluses has been included in the value of the Group's investment in RGE Holdings.
- (vii) The Company and Greycoat have jointly and severally guaranteed the obligations of the holders of the A ordinary shares of RGE to purchase the B ordinary shares in RGE pursuant to the provisions of its Articles of Association, as referred to in (iii) above.

(h) Hartstreet Properties Limited

- (i) The Company, George Wimpey PLC ("Wimpey") and Haslemere Estates PLC ("Haslemere") own 42.5%, 40% and 17.5% respectively of the issued share capital of Hartstreet Properties Limited ("Hartstreet") which consists of 100,000 ordinary shares of £1 each, fully paid. Hartstreet is a property development company engaged in the development of Crusader House, London EC3 which will provide approximately 105,000 square feet net of offices and a restaurant.

(continued)

Holdings at 30th

1987	1986
£'000	£'000
5,076	87,550
9,509	3,742
4,579	96,292
4,157	1,748
5,983	(5,327)
1,138	(44,220)
1,615	48,493
1,112	1,112
9,655	32,723
1,247	555
2,014	34,390
9,601	14,103
1,615	48,493

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11. (h) Hartstreet Properties Limited (continued)

- (i) At 30th June, 1987, development work in progress at cost of Hartstreet amounted to £23.0m financed wholly by a bank loan secured on the development

(i) Shearwater Estates PLC

- (i) Shearwater Property Holdings PLC ("Shearwater"), a 75% subsidiary of the Group, and Next PLC each own 50% of the issued share capital of Shearwater Estates PLC ("Estates") which, at the date of the balance sheet, consisted of 500,000 ordinary shares of £1 each, 25p paid. Estates is a property trading and development company which is principally engaged in town centre and shopping development.
- (ii) At 30th June, 1987, Estates held properties for development or resale amounting to £2.6m, financed by external bank borrowings secured on these properties

(j) Rosehaugh Associated Ports Development 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 PLC ("ABP"). RAPD is engaged in the development of a water side site known as Ocean Village of up to 50 acres at Princess Alexandra Dock, Southampton for retail, office, residential and leisure use; approximately 100,000 square feet of shopping, office and other facilities has been constructed and substantially let
- (ii) At 30th June, 1987, development work in progress at cost of RAPD amounted to £7.6m financed by external bank borrowings secured on the development amounting to £5.6m and loans of equal amounts from the Group and ABP

(k) RAPD Horsham Limited

- (i) Shearwater and a subsidiary of ABP also each own 50% of the issued share capital of RAPD Horsham Limited (formerly Powerlarge Limited), a company engaged in a town centre retail and office development in Horsham
- (ii) At 30th June, 1987, development work in progress at cost of RAPD Horsham Limited amounted to £2.9m financed by shareholders loans of equal amounts from the Group and ABP

(l) Kerrykey Limited

- (i) The Group and Kansallis Finance (UK) Limited, a subsidiary of Kansallis Osake-Pankki ("KOP"), own 50% and 20% respectively of the issued share capital of Kerrykey Limited ("Kerrykey") which consists of 1,000 ordinary shares of £1 each, fully paid. Kerrykey is a property development company engaged in a substantial residential development in Highgate, London N6
- (ii) At the date of the balance sheet, the cost of land and development work in progress of Kerrykey amounted to £14.4m financed principally by a loan from KOP secured on the land and development work in progress, in accordance with the loan agreement the Company has deposited £1.5m with KOP and this amount is included in debtors at the date of the balance sheet (see note 13)

(m) Blue Water Park PLC

The Group has established a new company, Blue Water Park PLC, to be owned equally by the Group and Blue Circle Industries PLC, for the development, subject to planning consent, of a major out of town shopping and leisure scheme near Dartford, Kent

(n) Linkoption PLC

The Group has subsequent to 30th June, 1987 established a new company, Linkoption PLC, to be owned equally by the Group and Stanley Miller Holdings PLC, for the development, subject to planning consent, of a retail scheme in Newcastle-upon-Tyne.

Notes to the accounts

for the year ended 30th June, 1987

Roseclough PLC and subsidiaries

11. (o) Investments listed in the UK

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

	Group		Company	
	1987 £'000	1986 £'000	1987 £'000	1986 £'000
Cost or valuation				
Beginning of year	81	29,136	—	84
Subsidiary acquired	82,585	—	—	—
Additions	75	—	—	—
Disposals	(2,322)	(20,055)	—	(84)
End of year	80,419	81	—	—
Reported in balance sheet as follows:				
Under fixed assets	92	81	—	—
Under current assets (see note below)	80,327	—	—	—
	80,419	81	—	—
Market value at end of year	80,071	93	—	—

(ii) Of the aggregate book at 30th June 1987, £80,274,000 relates to the Group's interests in the investment portfolio of The General Funds Investment Trust Plc which company was acquired during the year. The investment portfolio has been held as a fixed or set investment since acquisition. Since the date of the balance sheet, these investments have been disposed of for an aggregate consideration in excess of their book value at 30th June 1987, in view of the realisation of these investments they have been reported in the balance sheet under the heading of current assets.

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

The Group owns, through its wholly owned US subsidiary Church Street Realty Co. Inc., an interest in a New York limited partnership, 120 Church Street Associates (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 1984, was constructed in 1963 and provides approximately 406,000 square feet net of offices which are occupied by the US Government for a term expiring on 31st October 1988 at a rent which is adjustable annually in accordance with the Consumer Price Index. The US Government has options to continue occupation of the Property for two further five year terms to 31st October 1993 and 1998, in each case on the basis of the market rent then in force at the commencement of the term.

The general partner of the Partnership is the Company's wholly owned US subsidiary, Church Street Realty Co. Inc. The limited partners' capital contributions to the Partnership total \$6.0m. The general partner has contributed a nominal \$100 to the capital of the Partnership and the Company has undertaken to capitalise the general partner to the extent of \$0.6m.

The Partnership has a full non-recourse mortgage of \$40.0m upon the Property for a term of 10 years from January 1984 to the Mortgage Loan's maturity with a major New York Savings bank.

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 that non-compounded 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;

(b) from time to time that non-compounded cumulative return is payable to the general partner calculated on an amount of \$6.0m at the rate of 9.8% per annum; and

(c) from any remaining net cash flow, 50% of the balance is to be paid to the general partner and 50% to the limited partners.

Company	1987	1986
£'000	£'000	£'000
—	81	
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11. (p) Interest in US limited partnership -- 120 Church Street Associates (continued)

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 uncalled 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.

Save as mentioned above, and for the potential liabilities of Church Street Realty Co. Inc. as general partner, neither the Company nor any subsidiary or related company of the Company has undertaken any financial obligation in relation to the Partnership or the acquisition or operation of the Property.

Summarised below is a balance sheet of the Partnership at 30th June, 1987 based upon management accounts which have been translated into sterling at the closing exchange rate ruling at that date.

	1987 \$'000	1986 \$'000	1987 £'000	1986 £'000
Property at 120 Church Street New York, at valuation	62,000	63,000	38,426	41,109
Net current assets	1,213	332	752	217
	63,213	63,332	39,178	41,326
Borrowings				
Mortgage loan	40,045	40,045	24,819	26,131
Interim loan	533	1,629	330	1,063
	40,578	41,674	25,149	27,194
Net assets of the Partnership	22,635	21,658	14,029	14,132
Represented by				
Partners' capital contributions				
Limited partners	5,400	4,100	3,347	2,675
General partner (U.S. \$100)				
Revaluation reserve	16,587	17,587	10,280	11,476
Accumulated profits (losses) and movements in exchange rates	648	(129)	402	(19)
Total of partners' capital	22,635	21,658	14,029	14,132

The property was revalued at 30th June, 1987 by Wm. A. White Tishman East Inc., New York Real Estate Appraisers, at \$62.0m, giving rise to a decrease in revaluation surplus of \$1.0m. The Group's share of the decrease in revaluation reserve and the effect of changes in exchange rates on the Group's share of revaluation reserve brought forward from previous years are included in the value of the Group's investment in the Partnership.

12. Stocks

(a) Stocks comprise:

	Group		Company	
	1987 £'000	1986 £'000	1987 £'000	1986 £'000
Development work in progress	64,134	34,717	—	—
Properties held for resale	6,931	15,794	—	—
	71,065	50,511	—	—

(b) Due to the nature of the Group's stocks, it is not possible to indicate whether their replacement costs materially exceed the values at which they are carried in the balance sheet.

Notes to the accounts

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

13. Debtors

(a) The following amounts are included in debtors:

	Group		Company	
	1987	1986	1987	1986
	£'000	£'000	£'000	£'000
Trade debtors due under contracts of sale	23,249	15,355	—	—
Other trade debtors	576	239	—	—
Finance lease receivables (see note 11(d))	1,230	2,532	—	—
Other debtors	739	549	28	244
Prepayments and accrued income	3,460	4,357	22	3,747
VAT recoverable	1,560	530	187	—
Taxation recoverable	712	194	124	115
Amount deposited with related company's bankers (see note 11(d))	1,500	1,500	1,500	1,500
Due from subsidiaries (see note 11(d))	—	—	49,789	37,531
	<u>33,026</u>	<u>25,256</u>	<u>51,650</u>	<u>43,137</u>

(b) Finance lease receivables represent the Group's net investment in plant and equipment leased to customers. Included in the total of finance lease receivables is £351,000 (1986: £1279,000) which falls due after more than one year.

14. Creditors – Amounts falling due within one year

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

	Group		Company	
	1987	1986	1987	1986
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see note 14(b))	47,539	26,892	—	—
Trade creditors	12,243	15,045	—	6
Accruals and deferred income	6,575	2,835	387	95
UK corporation tax payable	2,712	7,488	—	91
ACT on proposed dividend	284	199	284	199
Social Security and PAYE	185	162	—	—
Proposed dividend	767	488	809	521
Due to subsidiaries (see note 11(d))	—	—	22,850	11,405
	<u>70,305</u>	<u>53,109</u>	<u>24,330</u>	<u>12,317</u>

(b) Bank loans and overdrafts comprise:

	Group		Company	
	1987	1986	1987	1986
	£'000	£'000	£'000	£'000
Bank loans and overdrafts				
Secured on investment properties	—	2,000	—	—
Secured on development work in progress and properties held for resale (see note 14(c))	41,783	23,147	—	—
Secured on other assets	5,756	1,080	—	—
Unsecured	—	665	—	—
	<u>47,539</u>	<u>26,892</u>	<u>—</u>	<u>—</u>

(c) Bank loans and overdrafts shown above include £29,439,000 (1986: £14,403,000) drawn under facilities extending for more than one year, 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 or property.

(d) The Company has guaranteed the repayment of £42,333 (1986: £26,750,000) of the above Group borrowings.

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

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

Company	
1987	1986
£'000	£'000
—	—
—	—
28	244
22	3,747
187	—
124	115
1,500	1,500
49,789	37,531
51,650	43,137

	Group		Company	
	1987	1986	1987	1986
	£'000	£'000	£'000	£'000
Bank loans				
Secured on development properties held for investment	19,500	—	—	—
Secured on investment properties	4,250	2,250	—	—
Secured on finance lease receivables	—	600	—	—
	23,750	2,850	—	—

(b) The above amounts are due for repayment, not by instalments, as under:

	Group		Company	
	1987	1986	1987	1986
	£'000	£'000	£'000	£'000
Between 1 and 2 years	4,250	2,850	—	—
Over 5 years	19,500	—	—	—
	23,750	2,850	—	—

(c) The Company has guaranteed the repayment of the whole of the above Group borrowings

16. Provisions for liabilities and charges

Provisions for deferred taxation

(a) Provisions for liabilities and charges comprise deferred taxation. 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	
	1987	1986	1987	1986
	£'000	£'000	£'000	£'000
Accelerated capital allowances	8,257	926	—	—
Interest and other timing differences	1,862	1,864	2,070	1,795
Advance corporation tax recoverable	(284)	(199)	(284)	(199)
	9,835	2,591	1,786	1,596

(c) The movement in provisions for deferred taxation was as follows:

	Group		Company	
	1987	1986	1987	1986
	£'000	£'000	£'000	£'000
Beginning of year	2,591	6,325	1,596	292
Charge to profit and loss account relating to increase in timing differences	2,435	938	275	1,380
Transferred from (to) UK corporation tax payable	4,889	(4,783)	—	—
Arising on the acquisition of subsidiaries	5	192	—	—
Advance corporation tax recoverable	(85)	(76)	(85)	(76)
	9,835	2,591	1,786	1,596

plant and equipment
les is £351,000 (1986

within one year:

Company	
1987	1986
£'000	£'000
—	6
387	95
—	91
284	199
809	521
22,850	11,405
24,330	12,317

Company	
1987	1986
£'000	£'000
—	—
—	—
—	—
—	—
—	—

1986 - £14,403,000)
development work
at maturity of the

£26,750,000) of

Notes to the accounts

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

16. Provisions for liabilities and charges (continued)

- (d) Deferred taxation arising on all timing differences has been provided, except that no provision for contingent deferred taxation is considered necessary in respect of capital allowances claimed relating to certain of the Group's investment properties
- (e) The full potential amount of taxation not provided in the accounts attributable to unrealised valuation surpluses recorded by the Group in respect of investment properties, its related companies Rosehaugh Stanhope Developments (Holdings) PLC and Rosehaugh Greycoat Estates Holdings Limited and their subsidiary companies and the US limited partnership 120 Canal Street Associates amounts to £27,106,000 (1986 £8,070,000)

17. Share capital

The authorised and issued share capital of the Company comprise:

	1987 £'000	1986 £'000
Authorised:		
85,000,000 ordinary shares of 20p each	17,100	13,900
3,783,259 convertible deferred shares of 20p each	757	757
	<u>17,857</u>	<u>14,657</u>
Allotted, called up and fully paid:		
63,174,982 ordinary shares of 20p each	12,635	10,425
3,650,000 convertible deferred shares of 20p each	730	730
Total shares issued	<u>13,365</u>	<u>11,155</u>
Add 1,541,314 ordinary shares of 20p each to be issued in respect of the acquisition of The General Funds Investment Trust Plc (see note below)	308	—
Less 3,350,330 ordinary shares of 20p each owned by London Merchant Holdings plc (see note below)	(670)	(670)
	<u>13,003</u>	<u>10,485</u>

(i) On 3rd April 1987 the authorised share capital of the Company was increased from £14,656,652 to £17,856,652 by the creation of 16,000,000 ordinary shares of 20p each

(ii) In consideration for the acquisition of The General Funds Investment Trust Plc, the Company will issue 12,592,110 new ordinary shares of 20p each. At 30th June, 1987 11,050,786 new ordinary shares had been issued in respect of the acquisition with the balance of 1,541,314 to be issued subsequent to the year end following receipt of acceptances arising from compulsory notices issued under Sections 428-430 of the Companies Act 1985

17. Share capital (continued)

- (iii) LMH, a wholly owned subsidiary of the Company, owns 3,350,330 ordinary shares of 20p each in the Company ("the LMH shareholding"), representing 5.2 per cent. 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 18) 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.

- (iv) The convertible deferred shares are owned by the trustees of certain family settlements established by Mr. G. M. Bradman, and were issued as part consideration for the acquisition of LMH in respect of the interest of LMH in Craftsmooth Limited ("Craftsmooth"), which is now a wholly owned subsidiary of the Group. The principal asset of Craftsmooth is approximately 170 acres of land at Whiteley, Hampshire ("the Land"), which is expected to provide approximately 120 net developable acres for residential development. The convertible deferred shares will be converted into ordinary shares by reference to a value ("the conversion value") based on 50 per cent. of the post-tax net asset value of Craftsmooth on the conversion date as certified by the Company's auditors.

The number of ordinary shares to which the convertible deferred shareholders will become entitled on conversion will be determined by dividing the conversion value by the weighted average of the middle market quotations per ordinary share, as derived from The Stock Exchange Official List taken over the five business days following the announcement of the result of the revaluation. The maximum number of ordinary shares which may result from conversion will be limited to 3,783,259 (subject to variation by reference to changes in the issued share capital of the Company) regardless of the then value of the Land or the net asset value of Craftsmooth.

All the convertible deferred shares must be converted at the same time and the holders are entitled to serve notices requiring conversion prior to 31st December, 1990 in any of the periods of 30 days following the despatch to the Company's shareholders of an interim Statement or the Annual Report and Accounts in each year. The valuation of the Land then remaining will be made immediately following receipt of the conversion notices and the net asset value of Craftsmooth will be determined by the Company's auditors. The ordinary shares arising from conversion of the convertible deferred shares will rank *pari passu* in all respects with the existing ordinary shares.

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

Date of grant of option	Number of shares	Option 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
	<u>777,719</u>	

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.

Notes to the accounts

for the year ended 30th June, 1987

Rosehaugh PLC and subsidiaries

18. 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 £'000
Beginning of year	117,299	68,847		22,169	26,283
Revaluation of investment properties (see note 10(a))	375			375	—
Revaluation of investments in related companies (see note 11(a))	57,934			57,934	—
Acquisition of The General Funds Investment Trust Plc					
Premium arising on issue of ordinary shares	82,478		82,478	—	—
Costs arising on issue of ordinary shares	(3,350)	(3,350)		—	—
Revaluation of investment in US limited partnership (see note 11(a))	(600)			(600)	—
Retained profit for year	9,263			—	9,263
	263,399	65,497	82,478	79,878	35,546
Less: share premium arising on issue of ordinary shares for acquisition of LMH	(11,726)	(11,726)		—	—
	251,673	53,771	82,478	79,878	35,546

(b) Company

	Total £'000	Share premium £'000	Capital reserve £'000	Revaluation reserve £'000	Retained profits £'000
Beginning of year	117,299	68,847		39,142	9,310
Revaluation of investment in subsidiaries arising from					
Revaluation of investment properties (see note 10(a))	375			375	—
Revaluation of investment in US limited partnership (see note 11(a))	(600)			(600)	—
Revaluation of investments in related companies (see note 11(a))	57,934			57,934	—
Acquisition of The General Funds Investment Trust Plc					
Premium arising on issue of ordinary shares	82,478		82,478	—	—
Costs arising on issue of ordinary shares	(3,350)	(3,350)		—	—
Retained profit for year	5,169			—	5,169
Company's share of profit for year of subsidiaries and associates	6,094			6,094	—
Less: dividends payable to the Company by subsidiaries	(2,000)			(2,000)	—
	263,399	65,497	82,478	100,945	14,479
Less: share premium arising on issue of ordinary shares for acquisition of LMH	(11,726)	(11,726)		—	—
	251,673	53,771	82,478	100,945	14,479

The retained profits of the Company are distributable reserves within the meaning of Section 263 of the Companies Act 1985.

valuation reserve £'000	Retained profits £'000
22,169	26,283
375	
57,934	

(600)	9,263
79,878	35,546
79,878	35,546

valuation reserve £'000	Retained profits £'000
39,142	9,310
375	
(600)	
57,934	
	5,169
6,094	
(2,000)	
60,945	14,479
60,945	14,479

at the meaning of

19. Contingent liabilities and commitments

- (a) At 30th June, 1987 the Company had guaranteed bank loans and overdrafts of subsidiaries to a maximum amount of £101,054,000 (1986 £47,831,000), as set out in notes 14 and 15, the aggregate amount drawn down at 30th June, 1987 under these bank loans and overdrafts amounted to £66,083,000 (1986 £29,600,000).
- (b) In connection with the development at Finsbury Avenue, London EC2 being carried out by subsidiaries of the associated company Rosehaugh Greycoat Estates Holdings Limited, certain guarantees and commitments have been provided by the Company and jointly and severally by the Company and Greycoat Group PLC, as referred to in paragraph (vi) of note 11(g).
- (c) In connection with the Broadgate development being carried out by subsidiaries of the associated company Rosehaugh Stanhope Developments (Holdings) PLC, a guarantee of £5.0m to a bank has been provided jointly and severally by the Company and Stanhope Properties PLC.
- (d) 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 16(e).

20. Capital commitments

Other than the continued development of investment properties by the Group and by the associated companies Rosehaugh Stanhope Developments (Holdings) PLC (see note 11(f)) and Rosehaugh Greycoat Estates Holdings Limited (see note 11(g)) and the guarantee by the Company of the obligations of Rosehaugh Greycoat Estates Holdings Limited referred to in note 11(g)(vi), and an undertaking by the Company to capitalise its US subsidiary, Church Street Realty Co. Inc., to the extent of \$0.6m referred to in note 11(i), there were no material capital commitments at 30th June, 1987.

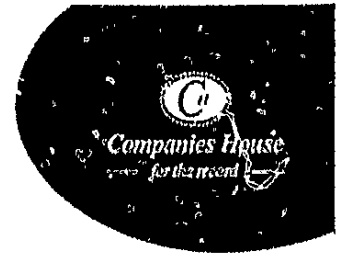
21. Directors' interests in contracts

Design and Planning Consultants Limited ("Design") a company owned by the trustees of a discretionary settlement established for the benefit of Mr. R. A. Green and others, provides services to Craftsmouth Limited ("Craftsmouth") under a contract dated 21st May, 1985, as amended, made between Design and Craftsmouth to obtain outline planning and other consents in respect of approximately 170 acres of land (having a net developable area of approximately 120 acres) owned by Craftsmouth ("the Land") in return for fees. Under the agreement, which is to run for a term expiring no earlier than 30th June, 1989 and which is to continue thereafter until either party gives at least 30 days notice ("the Term"), Design is entitled to receive fees from Craftsmouth in respect of each part of the Land ("the Relevant Part"), equal to 7.5 per cent. of the excess of the net sales proceeds or open market value, as the case may be, of the Relevant Part over all relevant costs thereof. The fees will become payable to Design as and when development projects are commenced by the Group on the Relevant Parts or when the Relevant Parts are sold to persons outside the Group, with any balance of fees becoming payable on the expiry of the Term. No fees are due or have been paid to Design to 30th June, 1987 pursuant to the above.

Rosehaugh PLC and subsidiaries

Notes

1. Profit attributable to ordinary shareholders before tax comprises the profit of the Company and its subsidiaries and the share of profit of the subsidiaries.
2. Profit attributable to ordinary shareholders after tax comprises the profit of the Company and its subsidiaries.
3. The number of shares in issue during the year is 100,000,000 attributable to ordinary shareholders before tax. It is 100,000,000 attributable to ordinary shareholders after tax. The calculations are based on the number of shares in issue during each year. The calculations are based on the number of shares in issue during each year. The calculations are based on the number of shares in issue during each year.
4. The number of shares in issue during the year is 100,000,000 attributable to ordinary shareholders before tax. It is 100,000,000 attributable to ordinary shareholders after tax. The calculations are based on the number of shares in issue during each year. The calculations are based on the number of shares in issue during each year. The calculations are based on the number of shares in issue during each year.
5. The number of shares in issue during the year is 100,000,000 attributable to ordinary shareholders before tax. It is 100,000,000 attributable to ordinary shareholders after tax. The calculations are based on the number of shares in issue during each year. The calculations are based on the number of shares in issue during each year. The calculations are based on the number of shares in issue during each year.



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